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FmHA OVERSIGHT

HEARING

BEFORE THE

SUBCOMMITEE ON
RURAL HOUSING AND DEVELOPMENT

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN
AFFAIRS
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

TO CONSIDER THE FUTURE OF THE FEDERAL ROLE IN RURAL HOUSING AND THE PRINCIPAL AGENCY RESPONSIBLE FOR THOSE PROGRAMS, THE FARMERS HOME ADMINISTRATION

MARCH 23, 1983

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CONTENTS

WEDNESDAY, MARCH 23, 1983

Page

Opening statement of Senator Mattingly 1

Witnesses

Nancy Gordon, Assistant Director for Human Resources and Community Development, Congressional Budget Office:

- Prepared statement 2
    - Rural housing and budget treatment 3
    - Table 1—Rural housing loans outstanding in 1982, 1983 lending, and projected 1984 lending 3
    - Current budget practices 3
    - Program costs 4
    - Table 2—Estimated value of new rural housing lending 5
    - Conclusion 6
- Response to written questions of Senator Mattingly 371

Charles Shuman, Administrator, Farmers Home Administration, accompanied by L. D. Elwell, Assistant Administrator:

- Prepared statement 6

Panel discussion:

- Seventy-percent cut 8
- Federal Government borrowing 9
- Balloon payment 11
- Ample credit for housing 14
- Modular housing 15
- Eighty-percent moneys for low income 16
- Response to written questions of Senator Mattingly 18

Harriet Macklin, representing The National Rural Housing Coalition:

- Resolution 22
- Oppose block grants 22
- Grants provided 23
- Prepared statement 23
    - Rural housing need 24
    - Indian housing need 24
    - Rural housing block grant 24
    - NRHC proposals 25
    - Authorization levels 26
    - Conclusion 27
    - Table 1—1980 census of housing 27
    - Table 2—Rural substandard housing 28
    - Table 3—FmHA rural housing 29
    - Table 4—FmHA programs fiscal years 1979–84 29
    - Table 5—Recommended funding levels 30
    - Table 6—Rental assistance subsidy costs 30
    - Table 7— Farmworker housing need 31

Shirley Dennis, secretary, Pennsylvania Department of Community Affairs, representing the Council of State Community Affairs Agencies:

- Prepared statement 32
    - Foreword 33
    - FmHA section 111 program goals and objectives 34
    - Program description 37
    - Program findings 41
    - Recommendations 44

Shirley Dennis, secretary, Pennsylvania Department of Community Affairs, representing the Council of State Community Affairs Agencies—Continued
Prepared statement—Continued
Appendix:

Page
A–A rural investment strategy for the southern Alleghenies 50
B–An enumeration of rural development activities for fiscal year 1979 70
C–FmHA dollars obligated for project counties 79
D–FmHA housing programs—the DCA workshop handout 86
E–FmHA business and industrial and community facilities—the DCA workshop handout 122
F–Rural housing aide—job description 158
G–Example application for a rural housing assistance program 159
H–Somerset County Rural Housing Aide Report 165
I–Fulton County Rural Housing Aide Report 166
J–Newspaper coverage of 111 activities 167
K–Sample housing workshop notice and agenda 178
L–Cambria County Rural Housing Aide Report 180
M–Program organizational chart 181
N–Sample housing inspection form 182
O–Sample central control log 189
P–Background data concerning FmHA in Pennsylvania 190
Nation's largest rural population 197
Appalachian Regional Commission 198
Awake farmers home staff 198
Technical report of the Pennsylvania State Planning Board 201

Harold O. Wilson, Executive Director, Housing Assistance Council, Inc.:

Trends have changed in 10 years 214
Narrowing of population 216
1980 census 216
Prepared statement 218
Rural substandard housing 1970–80 226
1979 substandard rural housing occupants by income 227
Trends in nonmetro poverty and occupancy in substandard housing 228
Nonmetro poverty, selected statistics 229

William Whiteside, Executive Director, Neighborhood Reinvestment, Inc.:

Prepared statement 230
Neighborhood Reinvestment Corporation background 230
Neighborhood housing services 230
Supplementary materials 233
Rehabilitations and sales 255

Panel discussion:

Severe need for rehabilitation of rental properties 257
FmHA could be better targeted 257

Thomas R. Runquist, Treasurer, Council for Rural Housing and Development:

Section 515 project 259
$450 million rental assistance 260
Changes in section 515 261
Prepared statement 262
Rural housing needs 262
Specific recommendations 263
Program improvement 264
Section 515 obligations, fiscal year 1982 265

Ernest R. Coleman, Chairman, Rural Housing Committee, Fort Smith, Ark.; representing National Association of Homebuilders.:

Prepared statement 266
Outlook for Government assisted housing programs 267
FmHA rural housing program volume 268
Rural housing block grant 269
Rural housing program cuts 270
New construction 272
Recommendations concerning FmHA programs 273
Conclusion 276
Jerry C. Connors, president, Manufactured Housing Institute, Arlington, Va., accompanied by Ray Weatherly: Prepared statement 281

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Page
Manufactured Housing Institute, comparison of national construction standards 297
Council of State Housing Agencies, comments submitted for the record by Thomas W. White and L. Steven Mayfield, executive directors 360
National Manufactured Housing Federation, Inc., statement submitted for the record by H. E. Blomgren, president 364
National Rural Electric Cooperative Association, resolution adopted by the NRECA membership submitted for the record 369

FMHA OVERSIGHT

WEDNESDAY, MARCH 23, 1983

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON RURAL HOUSING AND DEVELOPMENT,
Washington, D.C.

The subcommittee met at 9:30 a.m., in room 538 of the Dirksen Senate Office Building, Senator Mack Mattingly (chairman of the subcommittee) presiding.

OPENING STATEMENT OF SENATOR MATTINGLY

Senator MATTINGLY. The Subcommittee on Rural Housing and Development will come to order.

Today we will begin hearings on the 1984 authorization for the Farmers Home Administration rural housing programs. The Farmers Home Administration has been instrumental in providing housing for low-income citizens in rural areas. However, I'm concerned that the needs of the poorest and those in the most rural areas have not been adequately addressed.

My travels throughout Georgia substantiate these concerns. In fact, housing conditions are still considered deplorable in many of the Nation's rural areas. According to the National Rural Housing Coalition, about 32 percent of the Nation's families live in rural areas. Those same areas contain 40 percent of the country's worst housing facilities.

Although there is room for improvement, the Farmers Home Administration's rural housing programs have worked generally well. We need, however, to examine and scrutinize each and every provision of the authorizing legislation in order to insure the housing of those citizens in rural America are met.

My State of Georgia consists of 159 counties, many of which are rural. Recognizing the importance of the rural housing programs to the State of Georgia, the State legislature recently adopted a resolution urging the Congress to keep the Farmers Home Administration rural housing program in their current form and at existing funding levels.

Although I was not a member of the Banking, Housing, and Urban Affairs Committee last year, I remember well the rural housing shootout created by the recommendation of Senator Schmitt to place the Farmers Home Administration program in a block grant program. I'm afraid the administration has seized upon an issue which was a hot potato last year and has failed to cool off. Senator Cochran and Cranston orchestrated a strong bipartisan opposition to the proposal last year. Had the housing authorization measure been considered on the Senate floor, I think we all know what the outcome would have been regarding title V. Those in Congress who opposed the block grant idea last year have not softened their position.

Members of the Senate, including members of the Banking Committee, have communicated to me their concerns with such a proposal. Even the Senate Banking Committee requested that the Budget Committee recommend current funding levels for programs within the committee's jurisdiction, including the rural housing program.

In any event, we will shortly hear from the administration rural housing programs and we are going to learn of your recommendations concerning what we should do in that area. In addition to the administration witnesses, we have a panel today consisting of individuals well versed on rural housing issues. I look forward to the testimony of each participant in our search for providing the most prospective housing for those individuals with low incomes living in rural areas.

Our first panel will consist of Mr. Charles Shuman, who is Administrator of the Farmers Home Administration; and Nancy Gordon, Assistant Director for Human Resources and Community Development, Congressional Budget Office.

With that, you may either give in total your testimony or you may submit it for the record and briefly give it to us, and then we can go to questions and answers.

STATEMENT OF NANCY GORDON, ASSISTANT DIRECTOR FOR HUMAN RESOURCES AND COMMUNITY DEVELOPMENT, CONGRESSIONAL BUDGET OFFICE

Ms. GORDON. Thank you, Mr. Chairman. Normally, I would summarize the statement, but this is an extremely complicated program and we tried to reduce our discussion of it as much as we could. Since my statement is only nine pages, I would like to go through it quickly. Let me first introduce Roberta Drews, who's seated to my right. She prepared a CBO report on the rural housing program last year that goes into considerably more detail than we have time for this morning.

[Complete statement follows:]

STATEMENT OF NANCY M. GORDON, ASSISTANT DIRECTOR FOR HUMAN RESOURCES AND COMMUNITY DEVELOPMENT, CONGRESSIONAL BUDGET OFFICE

The Farmers Home Administration (FmHA) within the Department of Agriculture is a major source of housing credit for rural residents—having provided more than $3 billion in mortgage lending during each of the last six years alone. Although the commitment to rural housing has been large, the budget treatment of these programs seriously obscures their costs, making informed funding and program decisions difficult. The Administration is proposing to modify the budget treatment of rural housing programs and to substitute a block grant to states for most new lending beginning in 1984.

At the Committee's request, I will discuss present budget practices for the rural housing programs, and program costs, in order to provide a context for considering alternative approaches. My remarks will cover three topics: First, an overview of rural housing loan programs and their budget treatment; second, a more detailed examination of current budget practices and of options for making near-term program expenditures more apparent; and third, an examination of long-term program costs and of options for making them both more evident and more comparable to those of other programs.

RURAL HOUSING PROGRAMS AND THEIR BUDGET TREATMENT

Current rural housing programs provide credit for several purposes. The vast majority of aid is provided through two programs: the Section 502 homeownership loan program, which provides mortgages at effective interest rates as low as 1 percent to allow low- and moderate-income persons to purchase homes; and the Section 515 program, which provides 1 percent mortgages to finance the construction or rehabilitation of rental housing projects. Smaller programs include home repair loans, as well as lending to finance housing for farm laborers, to develop housing sites, and for weatherization. At the end of fiscal year 1982, $25 billion in loans was outstanding under these programs. In 1983, $3.3 billion in loans is expected to be made, assisting 54,000 additional homebuyers, and subsidizing 28,000 additional rental units (see Table 1).

TABLE 1.—RURAL HOUSING LOANS OUTSTANDING IN 1982, ESTIMATED 1983 LENDING, AND PROJECTED 1984 LENDING ACTIVITY

[By fiscal years, in billions of dollars]

Program	Loans outstanding, end of 1982	Lending authorized for 1983	1984 lending	
			Current policy [1]	Administration proposal
Section 502 homeownership loans	20.6	2.3	2.5	0.3
Section 515 rental housing loans	4.4	.9	1.0	(3)
Other programs [2]	.2	(3)	(3)	(3)
Total	25.2	3.3	3.5	.3

[1] Represents estimated loan volume necessary to assist the same number of additional households in 1984 as are expected to be aided in 1983.
[2] Includes home repair, farm labor housing, housing site development, and weatherization loans.
[3] Less than $50 million.

Notes: Includes only programs financed through the Rural Housing Insurance Fund. Components may not sum to totals due to rounding.

The budget treatment of loan programs is necessarily complex, and their budget impacts are therefore often difficult to assess. Rural housing loans, like many other federal loans, are financed through revolving funds. The largest of these—the Rural Housing Insurance Fund (RHIF)—borrows money at the federal government's cost of funds and lends the money at much lower interest rates. The difference between the cost of funds to the RHIF and the interest rates paid by borrowers represents the primary cost of the programs to the federal government. Smaller costs include losses due to defaults and foreclosures, as well as administrative expenses.

Each year the Congress authorizes some amount of additional lending for rural housing. The budgetary consequences of these loans are of two types:

First, each year's new lending adds to federal expenditures as loan funds are distributed to borrowers, although most of these funds are eventually repaid.

Second, each year's new lending contributes to interest-subsidy costs for many years to come.

As I will discuss next, current budget practices obscure both of these effects on the budget.

CURRENT BUDGET PRACTICES

Under current budget practices, the FmHA can transfer out of the unified budget the expenditures associated with initiating loans for rural housing, agricultural credit, and rural development. This occurs because, once the agency makes loans, it may sell securities called Certificates of Beneficial Ownership (CBOs) to the Federal Financing Bank (FFB)—an office within the Department of the Treasury that borrows funds on behalf of federal agencies.[1] Because the FFB's expenditures to purchase CBOs from the FmHA are not included in unified budget totals, these transactions effectively transfer off budget the outlays associated with making loans. The result is to understate total federal outlays, and thus federal borrowing needs, in the unified budget for the year in which the loans are made.

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[1] The Rural Electrification Administration (REA) may also finance lending through the sale of CBOs to the FFB. In the case of the REA, however, the agency's loans fund is already off budget. Consequently, the effect of CBO sales by the REA is to transfer outlays from one off-budget entity to another.

Although transactions between the RHIF and the FFB are treated as asset sales, they should more appropriately be viewed as borrowing by the RHIF from the FFB. The FmHA continues to maintain possession of the mortgages securing the CBO and to service them. It also guarantees the timely payment of interest on the securities, and the repayment of principal at maturity. Thus, the FFB does not purchase a pool of mortgages; rather, it lends to the FmHA based on the agency's guarantee. If these transactions were defined as borrowing, no offsetting income from a CBO "sale" would appear in the FmHA's account. Consequently, federal expenditures associated with making loans would appear as on-budget outlays attributable to the RHIF, rather than off-budget outlays of the FFB. In this way, the unified budget would present a more complete picture of total federal activity and, thus, borrowing needs.

Under current budget practices, the outlays associated with more than $8 billion in loan commitments expected to be made by the FmHA in 1983 for rural housing and other purposes could eventually be transferred off budget.

Options for making near-term expenditures more apparent

The most comprehensive approach to problems with the current budget practices—one that is endorsed by the Congressional Budget Office—would be to include all FFB activities in the unified budget, and to allocate outlays of the FFB to the accounts of the agencies originating the loans. The Truth in Budgeting Act, S. 711, proposed by Senators Proxmire and Gorton, would change the treatment of the FFB in this manner.[2]

The Administration has proposed a more limited approach that would alter only the treatment of transactions between the RHIF and the FFB. Under the Administration's proposal, all past and future transactions between the RHIF and the FFB would be treated as borrowing. This would involve reclassifying outstanding CBOs as debt instruments and, therefore, recomputing past on- and off-budget outlays. In addition, the proposal would include in the unified budget the outlays associated with any new rural housing lending. If this change were adopted, and if the number of additional households assisted annually were maintained at the 1983 level, on-budget outlays associated with new lending could total between $3 billion and $4 billion annually during each of the next five years. Total on- and off-budget outlays in any year, however, would not be affected by this change in budget treatment.

PROGRAM COSTS

Because most loans are eventually repaid, the actual costs of rural housing programs to the federal government are the interest subsidy, plus any default and foreclosure expenses, less the effects of certain provisions to recapture part of the subsidy. These costs can be viewed in two ways: the cost in any one year of all outstanding loans, or the cost of each year's new lending over the expected term of the loans. Currently, budget documents include information on annual program costs. Estimates of the long-term cost of each year's new lending are not now available, but would be useful to the Congress in comparing the costs of loans with those of grants.

The annual cost of rural housing loans outstanding in 1982 totaled $1.5 billion. This represents a five-fold increase since 1978, primarily reflecting growth in the volume of loans outstanding and the high interest rates paid by the government. The Congressional Budget Office estimates that, if the number of additional households assisted each year were maintained at the 1983 level, the annual cost of outstanding loans would rise to $2.6 billion by 1988.

The long-term cost of each year's new loans equals the total interest-subsidy, default, and foreclosure expenses incurred over the term of the loans, less any recaptured subsidies. For example, new Section 502 borrowers must eventually repay some of the subsidy they received if they subsequently sell their homes at a profit. Similarly, Section 515 rental housing costs are partially offset by the higher rents that better-off tenants pay. Estimating long-run costs is difficult, however, because it requires forecasting over a lengthy period, and because information on the likely effects of several key program provisions is sketchy.

Moreover, because the costs of rural housing loans are incurred over a number of years, they cannot easily be compared with the costs of other programs whose funds are appropriated in one year, spent shortly thereafter, and not repaid. Merely summing the interest-subsidy and default costs over the term of the loans neglects the fact that future dollars are worth less than current ones. One way to express the long-term costs of loan programs in a manner more comparable with those of other programs would be to convert the future costs into "present-value" terms.[3] The present-value of long-term costs would provide the Congress with a measure more nearly equivalent to appropriations for grant programs, but the uncertainties inherent in estimating long-term loan costs mean that such comparisons could never be precise.

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[2] For a more complete discussion of issues surrounding the budget treatment of the FFB, see Congressional Budget Office, "The Federal Financing Bank and the Budgetary Treatment of Federal Credit Activities" (January 1982).

Applying a range of assumptions regarding the factors that would affect long-term costs, the Congressional Budget Office estimates that the present value of the cost of any Section 502 homeownership loans authorized for 1984 would range from about $5,000 to almost $8,000 per household assisted, or from $13 million to $20 million per $100 million lent (see Table 2). Any Section 515 rental housing loans authorized in 1984 are estimated to cost between $16,000 and $23,000 per household assisted, or between $45 million and $65 million per $100 million lent. If the same number of additional households were aided in 1984 as are expected to be assisted in 1983, the present value of the long-term costs from new loans made in 1984 would range from $800 million to $1.1 billion. These estimates are, however, dependent on the amounts of subsidies assumed to be recaptured. To the extent that these offsetting receipts did not materialize, the eventual costs of rural housing loans made in 1984 would be larger than the net cost figures reported here.

Options for making long-term costs more apparent

In order to provide the Congress with cost information more nearly comparable to programs whose funds are appropriated in one year and spent shortly thereafter, the FmHA could be required to submit estimates each year of the present value of the long-run cost of proposed lending. Such estimates (similar to the ones present here) could be provided both for total costs and for anticipated net costs—that is, total costs less the expected recapture of subsidies from beneficiaries.[4]

TABLE 2.—ESTIMATED PRESENT VALUE OF LONG-TERM COSTS FOR NEW RURAL HOUSING LENDING IN 1984

[In dollars]

Program	Cost per household assisted	Cost per $100 million in loans (millions)
Section 502 homeownership loans:		
(A) Interest-subsidy cost [1]	7,600–10,500	19–26
(B) Offsetting collections from subsidy recapture	2,500–2,700	6–6.5
Net cost = (A) – (B)	5,100–7,800	13–19.5
Section 515 rental housing loans:		
(A) Interest-subsidy cost [1]	21,200–24,600	60.5–70
(B) Offsetting collections from rent payments above the minimum	5,400–2,000	15.5–5.5
Net cost = (A) – (B)	15,800–22,600	45–64.5

[1] Includes default and foreclosure expenses.

Note: Estimates are prepared under a range of assumptions, including a range of discount rates. Factors considered in estimating section 502 costs include: the interest rate paid by the FmHA on CBO's issued to finance the loans; the initial interest rates paid by homebuyers; changes over time in borrower incomes and therefore in interest rates paid; the extent and timing of loan prepayments; the rate of appreciation of homes purchased and, thus, the amount of subsidy recaptured when the homes are sold; and the extent of borrower defaults. Factors considered in estimating Section 515 costs include: the interest rate paid by the FmHA on CBO's issued to finance the loans; the initial incomes of project tenants; and the rate at which tenant incomes change over time. Because the FmHA has little information on incomes of section 515 tenants, estimates of offsetting collections from better-off tenants are subject to especially great uncertainty.

A second means of considering long-term program costs would be to appropriate enough funds at the time that rural housing loan commitments are made to cover their potential long-term costs. Several programs operated by the Department of Housing and Urban Development (HUD) are treated in this manner, but important differences between FmHA and HUD programs could make this approach less appropriate for rural housing loans. Under most HUD programs, the federal government signs long-term contracts to subsidize the housing expenses of low-income households. Because HUD does not have authority to borrow from the Treasury—whereas the FmHA does—the Congress provides HUD with sufficient budget authority to cover the total cost of its assistance commitments over future years. Although the Congress could provide upfront funding for rural housing programs, such funding is not necessary because the FmHA already has permanent authority to borrow from the Treasury. Further, because forward funding of long-term program costs is, of necessity, simply the sum of costs in the future when dollars are expected to be less valuable, it would be inappropriate to compare such sums with amounts appropriated for most grants, in which funds are generally spent shortly after they are made available.

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[3] A present-value calculation is a means of "discounting" the value of future dollars relative to dollars available today. The calculation takes into account anticipated future inflation as well as the real (after-inflation) return that one could earn on funds available now rather than in the future.

[4] Currently, the Office of Management and Budget includes present-value estimates of interest-subsidy costs in its annual special analysis of federal credit programs. The estimates for rural housing programs, however, do not take into account differences in the terms of the loans, anticipated loan prepayments, variations in the interest rates paid by borrowers over the lives of the loans, or the offsetting effect of recapturing part of the subsidies.

CONCLUSION

In conclusion, rural housing loans programs involve both near-term expenditures and long-term costs that are not apparent in the budget at the time that loan commentments are made. The absence of this information makes it difficult for the Congress to reach informed judgments regarding the appropriate volume of annual lending, or the desirability of alternative approaches to providing rural housing assistance. As the Congress considers 1984 funding decisions and program alternatives, it may therefore wish to alter present budget practices to provide more complete information.

Senator MATTINGLY. Thank you, Mrs. Gordon.

Mr. Shuman, would you like to go ahead and summarize your statement?

STATEMENT OF CHARLES SHUMAN, ADMINISTRATOR, ACCOMPANIED BY L. D. ELLWELL, ASSISTANT ADMINISTRATOR, FARMERS HOME ADMINISTRATION

[Complete statement follows:]

TESTIMONY OF CHARLES W. SHUMAN, ADMINISTRATOR, FARMERS HOME ADMINISTRATION

Mr. Chairman, Members of the Committee, thank you for this opportunity to discuss rural housing programs of the Farmers Home Administration and legislative proposals for fiscal 1984.

As you know, the Administration has prepared a Rural Housing Block Grant Bill for the consideration of the Congress that would amend Title V of the Housing Act of 1949, which has been introduced as S. 761.

The new proposal, if enacted, would become USDA's principal program for meeting the housing needs of lower-income rural Americans.

The major provisions of the block grant proposal are as follows:

Consolidate funding of FmHA's categorical lending and grant programs into a rural housing block grant with the following features: annual funding level of $850 million for 5 years; grant funds are allocated to States and the Commonwealth of Puerto Rico by a formula based on occupied substandard housing units, rural population and low-income households; funds are administered by states for a wide variety of housing uses; and, funds are targeted to very low-income persons.

The features of the bill I have outlined are consistent with recommendations of the President's Commission on Housing and with the Administration's New Federalism initiatives. Our proposals would shift most authorities and funds from the Federal level to the State level, with a view toward eliminating the rigidities inherent in the present national program, which attempts to meet the needs of 50 States and Puerto Rico with a single monolithic program. It would, in other words, allow States and local communities wide latitude in meeting the specific housing needs of the rural poor in a manner determined locally, within certain broad guidelines.

As part of the block grant proposal, the bill proposes a financing change that will shift outlays previously recorded in the off-budget Federal Financing Bank account into the on-budget totals of the Rural Housing Insurance Fund.

When a Certificate of Beneficial Ownership (CBO) is sold by Farmers Home Administration, the agency continues to incur the servicing costs and to fully assume the risk of default on the loans. The President's Commission on Budget Concepts recommended that the sale of such securities be treated as borrowing.

Although the proposal would cause reported, on-budget outlays to increase, it would more accurately portray the fiscal transaction involved. The outlays in the Budget would then reflect the real net lending activity of the revolving fund, rather than portraying the sale of CBO's in a manner that is budgetarily equivalent to a borrower paying off his loan in full.

The proposal is consistent with generally accepted Federal Budget and accounting principles, and it has been suggested at various times by Legislative and Executive Branch organizations interested in budgetary reform issues.

We view the rural housing block grant as a major programmatic improvement over FmHA's traditional lending programs, particularly the homeownership program. Given the rapidly rising cost of a single family home (estimated to be $48,900), very low-income families cannot benefit from the rural lending program even if mortgage rates are subsidized to 1 percent. In contrast, block grants can provide subsidies deep enough to assist low-income families in achieving home ownership. Our block grant legislation will require that 80 percent of the funds be earmarked for very low-income persons. The remaining funds could be used to assist persons with incomes of 51 percent to 80 percent of the State median.

Grant funds allocated on a need-formula based on census data could be used by States to build, buy, improve, repair or convert structures for rental or ownership by the poor; also to refinance existing housing or help in the housing costs of present owners or renters. Some communities might be able to help the greatest number of local people through supplementing other available credit.

Our proposals would not disrupt existing arrangements of present FmHA borrowers, including provision of interest subsidies. In addition, provision would be made for funding a limited number of new hardship cases under existing Federally-administered FmHA housing programs.

Another major advantage of the block grant proposal is that it would not include a long-term Federal commitment of interest subsidies. It would be an explicit, upfront block grant. This could prevent substantially increasing the Federal deficit and the rapid growth in Federal borrowing. For example:

Under the section 502 homeownership program, families with incomes up to the $18,500 annual range can purchase homes at interest rates subsidized as low as one percent a year. The average cost to the government of these subsidies is $3,671 a year, and contracts could run for as long as 33 years.

In the Section 515 multifamily housing program, the dual subsidy in low interest loans for construction and rental assistance runs even higher; an average cost to the Government of $7,506 per unit per year that could run for as many as 50 years.

In summary, the proposals contained in S.761 will conserve scarce Federal housing dollars and meet low income rural housing needs in the most cost effective manner possible. We urge prompt consideration and enactment of this important Rural Housing Block Grant legislation.

Mr. Chairman, thank you for this opportunity to appear before the Committee.

We believe that States generally have the capacity to administer this new program. All States but Kansas and Washington have active State Housing Finance Agencies with the power to issue State revenue bonds for low income single and multifamily housing (legislation is currently being considered in these two States to create a State Housing Finance Agency). Since 1970, these agencies have financed approximately 820,000 multi and single family homes built in both rural and urban areas. Although States do not have to designate State Housing Finance Agencies to administer their housing block grant, this seems to be a likely choice.

A frequent expressed concern is whether the private sector can provide an adequate supply of mortgage credit for rural families with incomes above the low-income level. In 1979, FmHA lending accounted for slightly less than 10 percent of all lending in rural areas (non-SMSA's). Conventional lending through private banks and mortgage bankers continues to be the major source of housing credit. It is anticipated that a new proposal to make Federal Housing Administration (FHA) insurance available through FmHA County Offices will provide mortgage bankers and S&Ls with incentive to extend more credit in rural areas. As currently planned, all FmHA County Supervisors would be authorized to commit FHA and 203(b) funds to insure mortgages. The FmHA Offices would complete property appraisals, process the paperwork and package the FHA commitments for final approval by HUD. The broader availability of FHA's existing guarantee program in rural areas should help to insure an adequate supply of mortgage credit for moderate-income families.

Senator **Mattingly**. Thank you. Did you also have a statement?

Mr. **Elwell**. No, sir.

Senator **Mattingly**. You did real fine right up to the end there where you asked for approval of this block grant program.

Mrs. Gordon, let me ask you a couple questions. I'll have a question that we will submit for the record for you all to reply to later.

A 70-PERCENT CUT

The opponents of the administration's rural housing block grant state that the funding level of $850 million represents nearly a 70-percent cut in funding from the level of assistance provided in the fiscal year 1983 Appropriations Act.

How does a dollar of grant assistance compare with one of the lending authority?

Ms. **Gordon**. There are several different issues to consider. From a budgetary point of view, if you provide a dollar in grant money, you know how much you're spending. You're spending that dollar. If you provide a dollar in loans, then in that first year you have an expenditure by the Federal Government of that loan, but over the lifetime of the loan most of that principal will be repaid and the Federal Government's real costs are the interest subsidy and any foreclosure costs over the lifetime of the loan.

So when you're trying to compare how much money you might want to have in a grant program to provide the same amount of aid as in a loan program, it is helpful to use a measure such as the one we proposed in the testimony—namely, the present value of the stream of costs the Federal Government would incur over the lifetime of the loan.

One of the things that makes such a comparison very difficult is that it requires you to forecast over the future. We have not always been very accurate at forecasting what inflation, for example, will be in future years. It also requires you to forecast how much of the subsidies would be recaptured, for example, if a home is sold in the future for a profit, and there's not been a lot of program experience with that.

So the first point is that it's very difficult to make these comparisons and know with certainty whether you would be providing the same amount of money under a grant program as under the current loan program.

The second point is that if you provide the States with grants, and if the States choose to provide loans, they would have to address the question of where they would get the principal to lend in the first year. Either it could be provided through the private market with some kind of State guarantee, or the State might want to borrow the money itself and make the loans directly. But if the State were to do that, the State might have to pay more to borrow that money than the Federal Government does. In that case, the Federal funds would not go as far even if you had, in fact, made an absolutely perfect calculation to compare the present value of the current loan programs with the amounts given in grants to the States.

The last point is that the administration's program would target the money to the lowest income groups, a strategy that has been used a great deal in recent years. Some have questioned, however, whether those groups would in fact be able to purchase homes. So there's a real question whether States would actually be able to continue loan programs or whether they would find that they really had to use the grant money in some other way; for example, in home repair programs.

Senator MATTINGLY. Well, why couldn't we consider giving the State some type of authority to borrow money at the same level as the Federal Government?

Ms. GORDON. If you were going to——

Senator MATTINGLY. It would probably be cheaper for them to do it than it would be for the Federal Government.

Ms. GORDON. You mean if the States would have to pay less money to borrow?

Senator MATTINGLY. You say they can't borrow at the same interest rate as the Federal Government.

Ms. GORDON. That's right. They would have to pay more, unless they used tax-exempt revenue bonds, which would then involve a revenue loss to the Federal Government.

Senator MATTINGLY. Maybe we ought to consider giving the States some authority to borrow the same way the Federal Government does in order for them to have the money at that level, and we could probably be able to institute programs more cheaply than the Federal Government could.

FEDERAL GOVERNMENT BORROWING

Ms. GORDON. What you're driving at basically is that the Federal Government would continue to do the borrowing for this loan program and then would essentially transfer those principal amounts to the States for the States to make the loans. It sounds as if that would be mostly a change in the administration of the program. The borrowers who would receive these loans would be chosen not by the county agents we now have, but by State personnel who would perhaps have somewhat different criteria on a State-by-State basis. But in terms of the financing of the program, it sounds as if you would be keeping the program the same as it is now, with the Federal Government doing the borrowing.

Senator MATTINGLY. Well, the State might know the criteria better. That's all I was getting to. Could you compare a little bit more in detail the budget treatment of HUD programs and the FHA programs?

Ms. GORDON. With the HUD programs, a commitment is made to subsidize the rents for low-income households for an extended period of time, perhaps as many as 30 years. Since HUD does not have borrowing authority with the Treasury, the Congress has to appropriate enough budget authority at the beginning to cover the total potential costs over the entire period.

With the Farmers Home Administration, this upfront funding is not really necessary because the Congress makes an appropriation each year to cover the costs that the Farmers Home Administration incurs that year. These costs are basically the interest subsidy and foreclosure costs that I mentioned before.

The appropriation is usually based upon the most recent year for which data are available, generally 2 years earlier. But if the appropriation is not sufficient to cover those costs, then the Farmers Home Administration can borrow the difference from the Treasury.

So the essential difference between the two programs is that the one involves borrowing authority from the Treasury in order to meet any costs, whereas the other involves no borrowing authority—the program has to have budget authority appropriated first.

Senator Mattingly. Just to follow on to both of those questions, what is the cost to the Government of mortgage revenue bonds for State housing finance agencies?

Ms. Gordon. For the most part, the Federal Government incurs costs because those bonds provide tax-free income to the people who purchase them. When those people fill in their tax returns, the income that they have earned from those bonds is not counted in their adjusted gross income. So the Federal Government collects less income tax revenue.

I could supply the exact amount of revenue loss each year for the record.

ESTIMATED REVENUE LOSS FROM EXCLUSION OF INTEREST ON STATE AND LOCAL GOVERNMENT HOUSING BONDS

[Dollars in millions, by fiscal year]

	1983	1984	1985	1986	1987	1988
Owner-occupied housing	1,510	1,675	1,665	1,590	1,520	1,455
Rental housing	870	1,090	1,310	1,545	1,770	2,010
Total	2,380	2,765	2,975	3,135	3,290	3,465

Senator Mattingly. We would like to have that. There was just a proposal on the floor of the Senate the other day trying to include that money in the tax return which didn't succeed.

The National Rural Housing Coalition has proposed that the term of 502 be extended from the present 33 years to 50 years while retaining the subsidy term of 33 years. This would mean that borrowers would end up paying a balloon note at the end of the 33d year.

Could you give us some comment about the budgetary impact on that?

Ms. Gordon. I think you've asked us to do a cost estimate of that type of proposal, and we have not had a chance to finish that yet. The impact would basically depend on the specifics of the proposal. Essentially the borrower would be repaying less of the principal during the period of time the borrower had the money. If the borrower then sold his or her home after, say, 15 years, there would be a larger amount of the principal to be repaid at that point than there would be under the current program. So that would increase the Federal Government's cost somewhat. We will provide more precise information on that as soon as possible.

Senator Mattingly. Yes.

BALLOON PAYMENT

Mr. SHUMAN. Mr. Chairman, I might add, too, it would depend upon how that final balloon payment was treated as far as our interest credit agreements are concerned and how that could be handled at the tailend of the 33 years.

Senator MATTINGLY. Well, is there any proposal for that? Has anybody given any thought to it?

Mr. SHUMAN. As I said, it would depend on how the legislation would be developed whether or not the interest credit or that balloon payment would revert back and be due at the regular interest rate, the note rate, or whether we would have an interest spread impact on that would make a substantial difference.

Senator MATTINGLY. Is there anything comparable in the private sector?

Mr. SHUMAN. Well, it's common practice to balloon payments in the private sector, but there is no interest credit arrangement similar to what the Farmers Home Administration makes in the private sector.

Senator MATTINGLY. Mr. Shuman, in fiscal year 1983, the Farmers Home Administration is going to finance 90,000 units of housing. Can you tell us what number of units you expect to be financing under the new block grant program?

Mr. SHUMAN. That would depend, Mr. Chairman, on what assumptions we might make. You have to keep several things in mind. We're dramatically changing with this proposed legislation and budgetary request, the universe or the recipients of the Farmers Home Administration assistance from now the upper low income to moderate income people to strictly low income families. As we move away from a loan program to a grant authority we feel, as Mrs. Gordon indicated, that our grant money would be able to go a lot further than an equal amount of loan dollars. Depending upon the assumptions that you have utilized, I can come up with scenarios that would extend substantial more assistance and assist substantially more families in 1984 with a $850 million block grant that we were able to assist or anticipate we will be able to assist in 1983.

The reason for that is that you cannot, Mr. Chairman, structure a loan program even with no interest that impacts very much on very many low-income families. They need direct assistance with their housing and a loan program is very difficult to administer to low-income families.

Senator MATTINGLY. What is the figure you gave of this $48,000 plus as the average housing cost—is that what you said?

Mr. SHUMAN. Yes, it was $48,900.

Senator MATTINGLY. Roughly $49,000. Is that the average cost for what FmHA is financing or is that the cost of housing in America?

Mr. SHUMAN. That's what we anticipate the housing costs for Farmers Home Administration 502-type housing in 1984 would be.

Senator MATTINGLY. Let me ask you. You may not have the figures here. But what is the high range that you finance in housing for?

Mr. SHUMAN. As far as income to the family or for the value of the home?

Senator **Mattingly**. The value of the home.

Mr. **Shuman**. In the States where we have a higher income established for the families, we could probably get it up to above $60,000.

Senator **Mattingly**. Could you provide for the record the number of loans made at different segments of the ranges? I don't mean to make then $10,000 to $50,000 but I mean from $10 to $15, $15 to $20, $20 to $25—all the way up and the number of homes that were built in each of those categories?

Mr. **Shuman**. That were built?

Senator **Mattingly**. That you financed.

Mr. **Shuman**. I don't know if we can get that record of breakdown but we will provide for the committee all the information we have in those areas, Senator.

Senator **Mattingly**. I don't mean the amount of money that you finance. I understand that you may finance part of a home somebody builds, isn't that correct?

Mr. **Shuman**. Most of our loans, Senator, we finance 100 percent of the cost of the house.

Senator **Mattingly**. But there are probably some that are not 100 percent financed.

Mr. **Shuman**. It could be, yes.

Senator **Mattingly**. I know of some. I think the public ought to know what the higher range is that we're financing. If you can provide each State in that, that's fine. I think we need to find out that information so we can probably try to help gear the programs toward the rural housing the poor people are trying to get and I think it might help us structure a program along these lines.

Mr. **Shuman**. Let me make sure I understand. You're interested in the cost of housing rather than the income of the families that receive the housing?

Senator **Mattingly**. That's right. I figure you can get that information if you'll be able to go to the incomes of the people. If you've got the incomes—if it's all in the same file—I haven't found anything in the same file here yet in 2 years and 3 months.

Mr. **Shuman**. We'll provide you with as much information as we possibly can in both regards, Senator.

[Information subsequently submitted for the record follows:]

FARMERS HOME ADMINISTRATION

SELECTED DATA

DIRECT AND INSURED INITIAL SECTION 502 LOANS

LOW-INCOME BORROWERS

OCTOBER 1, 1981, THROUGH SEPTEMBER 30, 1982

FAMILY INCOME OF BORROWERS

Family income levels	Number of loans	Percentage
$2,999 and under	260	.5
$3,000 to $3,999	416	.8
$4,000 to $4,999	312	.6

FAMILY INCOME OF BORROWERS—Continued

Family income levels	Number of loans	Percentage
$5,000 to $5,999	1,091	2.1
$6,000 to $7,999	2,182	4.2
$8,000 to $8,999	3,740	7.2
$9,000 to $9,999	6,024	[1] 11.6
$10,000 and over	37,918	73.0
Totals	51,943	100

[1] Rounded.

Source: Report 617 (389-32-D).

NET WORTH OF BORROWERS

Net worth levels	Number of loans	Percentage
$4,999 and under	45,139	[1] 86.9
$5,000 to $9,999	5,766	11.1
$10,000 to $14,999	571	1.1
$15,000 to $29,999	467	.9
Totals	51,943	100

[1] Rounded.

Source: Report 671 (389-32-E).

CHARACTERISTICS OF HOUSING

	Number of new loans	Average sq. ft. of house	Average cost of land and building	Construction	
				Onsite number	Manufactured home number
Borrowers	32,116	1,043	$39,235	29,798	2,318

[1] Rounded.

Source: Report 617 (389-32-H & F).

COMPARABLE COST DATA OF AMORTIZING A SECTION 502 LOAN TO A LOW INCOME BORROWER

	Budget authority	Budget outlay
Cost of amortize a $45,000 loan for 50 years at 3 pefcent for 33 years; 17 years at note rate	$80,345	$80,345
Cost to amortize a $45,000 loan at 3 percent for 33 years	58,803	58,803
Increased costs	21,542	21,542

Assumptions used: Loan size, $45,000; borrower interest rate, 3 percent; CBO rate, 9.9 percent; loan term, 33 years subsidized, 17 years nonsubsidized.

Data recorded by the Farmers Home Administration does not include precisely the total selling cost of all newly constructed or existing houses financed through FmHA. However, these costs are accurately reflected in the range of amounts loaned by FmHA inasmuch as loans in all dollar categories are made for 100 percent of property evaluation. The following table reflects loan amounts to a maximum of $55,000 in the contiguous 48 states, and indicates that some loans exceeded that amount in the higher-cost states of Alaska and Hawaii:

THE NUMBER OF LOANS BY THE STATES' AVERAGE LOAN SIZE TO BUY NEW OR BUILD—FISCAL YEAR 1982

Average loan amount	Number	Percent
$30,000 to $35,000	9,277	26.8
$35,001 to $40,000	11,857	34.2
$40,001 to $45,000	6,724	19.4
$45,001 to $50,000	5,748	16.6
$50,001 to $55,000	844	2.4
$55,000 and up [1]	197	.6

[1] Alaska and Hawaii.

Senator MATTINGLY. I think that would be very interesting. What evidence do you have that the private lenders can provide the $3 billion in housing credit currently provided by Farmers Home Administration?

AMPLE CREDIT FOR HOUSING

Mr. SHUMAN. We feel that there is ample credit for housing if the recipient of that loan can generate income to repay the loan. The problem, Senator, is not that there's no credit available generally, but it's where the outlets for that credit are available. We have tried to address that. We feel we have addressed that in our proposal where we would be working with HUD in making credit available in those areas where the commercial sector does not have adequate ability to providing the needed credit in those rural areas. We will continue to work with HUD to make sure that that credit is available for the moderate-income family. We feel our block grant program then will make housing assistance available through the States for the low-income families.

Senator MATTINGLY. Could you tell me the status of the negotiations that you've had with HUD on this plan? Have you had any negotiation with them yet?

Mr. SHUMAN. We have not put in place any negotiations under this legislation. We thought it would probably be more appropriate to wait until after the legislation was enacted before we started acting on it, Senator.

Senator MATTINGLY. Why? Why wouldn't you go to them and talk to them now?

Mr. SHUMAN. Well, we have had conversations with them but we haven't worked out any details. We think that the appropriate way to do this, Senator, would be if the legislation is enacted to establish an agreement and understanding with HUD that would spell out specifically what authorities would be passed on or what the Farmers Home Administration's activities would be.

Senator MATTINGLY. I'll be as tactful as I can, but I think the proposal that you come with is as dead as a doornail. It might be a good idea to begin negotiating now. I think it would help myself, as chairman of this subcommittee, to try to develop something, but I think the program that we come with, needless to say, this doesn't have any wings on it so I don't believe it's going to fly out of this place.

Mr. SHUMAN. I appreciate your kindness.

Senator MATTINGLY. There's no sense in us ignoring the fact, that as sometimes they say in South Georgia, "This dog ain't going to hunt."

MODULAR HOUSING

Let me ask you a question in reference to manufactured housing. What is the Farmers Home Administration's position concerning the eligibility of HUD code manufactured homes for the rural housing programs?

Mr. SHUMAN. Mr. Chairman, we utilize the HUD MPS for construction of homes that was in effect September of last year. We've not however been making loans for mobile home construction——

Senator MATTINGLY. Or modular homes.

Mr. SHUMAN. We do make loans for modular-type construction that meets the HUD MPS requirements, but we have not put in place the regulations to finance mobile home type construction.

Senator MATTINGLY. What I'm talking about are the premanufactured homes.

Mr. SHUMAN. About 14 percent of our loans at the present time are for premanufactured or offsite manufactured construction.

Senator MATTINGLY. And what is the cost comparison there?

Mr. SHUMAN. We find that in rural areas that that cost is very close to stick-built or onsite constructed homes.

Senator MATTINGLY. You mean to tell me that the average was $48,900?

Mr. SHUMAN. Well, that $48,900 is what we anticipate it will be in 1984.

Senator MATTINGLY. What was it in fiscal year 1982?

Mr. SHUMAN. We have a U.S. average of $39,999.

Senator MATTINGLY. So you say $40,000 is the average price of the modular home?

Mr. SHUMAN. No. That's the average of all homes in the United States.

Senator MATTINGLY. I know that, but you just got through saying that the modular or premanufactured homes were almost that amount.

Mr. SHUMAN. Very close, average. There are locations where manufactured housing is much more attractive and financially sound and it makes more sense in these cases to bring in an offsite or modular construction. Other places, because of labor, transportation, and administrative costs, manufactured housing is not as competitive with stick built construction.

Senator MATTINGLY. I'm not here to advocate them, but I just can't believe that manufactured housing costs the same as onsite.

Mr. SHUMAN. Well, it's a function of the fact that we do a lot of our construction in rural areas where labor costs are somewhat lower than in more urban centers.

Senator MATTINGLY. Does the manufactured housing code versus the HUD MPS code make it more expensive?

Mr. SHUMAN. I'm not quite sure I understand the question, Senator.

Senator MATTINGLY. We have different codes for HUD manufactured housing versus Farmers Home Administration manufactured housing.

Mr. SHUMAN. We don't finance construction based upon the mobile home type construction standards.

Senator MATTINGLY. I'm not talking about mobile homes now. I'm talking about manufactured homes.

Mr. SHUMAN. We are using the MPS at Farmers Home Administration that HUD used last September 1. That's what we're following right now.

Senator MATTINGLY. The only reason why I'm pursuing this—is that I'm just an advocate for poor people in rural housing who's needs are not being addressed. That's the same reason I want this information about the levels of the price of the homes, the income levels and everything else, because I think we could reach out and touch some of the real people we're trying to aid.

Mr. SHUMAN. There's no question, Senator, that the requirement that we have to meet the published standards does add some to the cost of housing. We do feel, though, that it's appropriate that those standards and codes be met. I know when I was State Director in Illinois, there were certain parts of Illinois where manufactured housing was substantially cheaper and more economical to construct offsite and be brought onto the site than was stick-built construction. In other areas, because of the transportation distances and the difference in labor costs, the onsite stick-built was the cheapest construction.

80 PERCENT MONEYS FOR LOW-INCOME

Senator MATTINGLY. You also made the comment that 80 percent of the moneys were earmarked for low income.

Mr. SHUMAN. In the 1984 budget proposal, 80 percent of the $850 million block grant, would be earmarked for low-income people.

Senator MATTINGLY. In this past fiscal year, what percent was for low income?

Mr. SHUMAN. I'll check with my budget officer here and we'll get the exact number. Out of $2.5 billion, less than $200 million last year was for moderate income. The rest of it would have gone for low-income families.

Senator MATTINGLY. So over 90 percent then?

Mr. SHUMAN. I didn't ask him to make that computation. $200 million versus $2.5 billion.

Senator MATTINGLY. I'm going to submit other questions for you and I've been as kind as I can be in this situation.

Mr. SHUMAN. I appreciate that, Senator.

Senator MATTINGLY. I think the responsibility to develop the program is going to be upon this committee and I would wish that we could get a lot of cooperation from you all too. Let's get some new ideas because the one that they're bringing forward, as I said before, if I were just laying down bets, isn't going anywhere, and I think the administration knows that. I think that you all probably are aware of that. We ought to get our shoulder to the wheel and develop a new way because I don't think anybody wants to sit in these hearings and waste time.

Mr. **Shuman**. Senator, we are looking forward to working with you and your staff to the extent that we possibly can.

Senator **Mattingly**. Well, you can do what we do. We meet at least once or twice a week in my office, and I'm sure you do the same thing, trying to come up with better ideas. Lots of luck. Thank you.

Mr. **Shuman**. Thank you, Senator.

[Response to written questions of Senator Mattingly follow:]

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United States Senate
SUBCOMMITTEE ON HOUSING
AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

CCO-Dir

444A

March 29, 1983

Mr. Charles Shuman
Administrator, Farmers Home Administration
U.S. Department of Agriculture
14th & Independence Avenue, SW
Washington, D.C. 20250

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Dear Charlie:

I want to thank you for your participation in the Subcommittee on Rural Housing and Development's hearing on March 23. Although I do not consider the Administration's proposal for a rural housing block grant to be feasible, several components such as the budgetary changes warrant careful consideration. In order to continue the Subcommittee's attempt to reform existing programs, it would be most helpful if you would provide answers to the following questions for the record:

> If FMHA were to count its transactions with the Federal Financing Bank in its budget request, how much would this increase the proposal for the coming fiscal year?
>
> FmHA currently administers a mutual self help housing program where low income families contribute their own labor to reduce the cost of their new home. How much does this reduce the price of the average newly constructed home? At what cost per unit? Is any rehabilitation done under the mutual self help program?
>
> It appears that current FmHA site policy forces Section 515 into larger communities and fuels criticism by those who claim the agency fails to serve the more remote rural areas. Do you feel that it is appropriate to require through regulation that "housing projects must be located in residential areas as part of established rural communities where essential public facilities (such as schools, hospitals and generally central water and sewer systems) and services (such as shopping, medical services and pharmaceutical services) are readily available in close and convenient proximity to the site?"
>
> What is the rationale for the following regulatory language: "If the structure to be built or rehabilitated is more than two stories, the housing must be designed for occupancy only by senior citizens and handicapped persons?" Shouldn't the height of a project be dictated by local conditions and needs rather than by regulation? Do you feel that regulations should be reviewed on a regular basis in order to evaluate their appropriateness?
>
> Why doesn't FmHA allow site approvals made by FHA and VA? Wouldn't that be a time saving measure?
>
> It is my understanding that the Veteran's Administration accepts local health codes. This might for example, allow for the use of septic tanks based on soil evaluation, rather than requiring a complete water and sewer system. Wouldn't this allow for more flexibility, while maintaining adequate control over health and safety standards?

Again, I thank you for appearing before us to present your testimony. I hope that you will share your views with me as we continue our efforts to provide effective and efficient housing services in rural areas. I look forward to working with you and your colleagues in the future.

Sincerely,

Mack Mattingly

Mack Mattingly

MM/mdd

United States Department of Agriculture
Farmers Home Administration
Washington D.C. 20250

1983 MAY 24 PM 12: 36
23 MAY 1983

Honorable Mack Mattingly
United States Senate
Washington, D.C. 20510

Dear Senator Mattingly:

This will reply to your letter in which you requested that we provide answers to a number of questions. These are for the record of the Subcommittee on Rural Housing and Development's hearing on March 23, 1983.

In answer to your first question, should the proposed legislation be adopted, there would be an estimated increase in the fiscal year 1984 budget of $3,559,929,000 in budget authority and an increase of $325,150,000 in outlays that would occur pursuant to the proposed changes in accounting for Certificates of Beneficial Ownership.

Under the Farmers Home Administration (FmHA) mutual self-help housing grant program, approximately 70 grants nationally enable low-income families to become homeowners. An analysis of recent data revealed that families participating in the program saved an average of $6,570 over the cost of a house built by other methods.

In states where self-help projects are operating, new dwellings cost an average of $42,860, while the average self-help method house cost was $36,290. It costs the government, through the grant, $4,509 to produce the house. That results in an average savings to the government of $2,061 per self-help unit. An additional annual savings of approximately $500 is realized because of less interest credits being granted on each loan.

In 1981 FmHA initiated a nationwide pilot study to determine the feasibility of mutual self-help rehabilitation. That study is in its final phases, but we anticipate that mutual self-help rehabilitation might be appropriate under certain circumstances.

Current FmHA site policy under the Section 515, rural rental housing program has been carefully designed to promote rental housing to serve the more remote rural areas. I am sure you will agree that location is a most important consideration to successful housing if desirable living environments are to be achieved. From our many years of experience toward meeting the housing needs of rural families, we have learned that multi-unit type housing provides maximum benefit when located in residential areas as part of established rural communities where essential public facilities and services are readily and conveniently available.

We continually review FmHA regulations to evaluate their appropriateness. As a result, our policy guidelines state that multiple housing units be residential in character and generally should not be more than two stories. However, in some cases, low-rise structures with elevators can

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Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

be considered provided it is compatible with surrounding structures. Occupancy need not be restricted to senior citizens and handicapped persons. Occassionally we receive requests to finance rental housing in downtown business redevelopment/revitalization areas. Under certain conditions, FmHA assistance is made available. However, if the structure to be built or rehabilitated is more than two stories, the housing must be designated and designed for occupancy only by senior citizens and handicapped persons. The purpose of this occupancy limitation is to provide a family oriented project benefits of a residential living environment and provide sufficient outdoor recreational facilities for children with safe and convenient access.

You question why FmHA does not accept site approvals made by the Federal Housing Administration (FHA) and the Veteran's Administration (VA) as it may be a time saving measure. We have found it is not. Our housing location requirements, construction and development policies, and overall mortgage lending procedures differ to the extent that time saving measures are best achieved by FmHA determining site eligibility and feasibility for the Section 515 program. Like VA, the planning, construction, and operation of rental housing by FmHA must conform with local codes and regulations. However, as a general rule, a multi-unit project must be located where central water and sewer is available. Where environmentally and economically feasible, a central water and waste disposal system must be available. Under certain conditions where central systems are not available or economically feasible to a project having not more than 25 rental units, FmHA may provide exemption if environmentally acceptable.

Thank you for your continued interest in the FmHA rental housing program.

Sincerely,

Charles W Shuman

CHARLES W. SHUMAN
Administrator

Senator MATTINGLY. Our second panel dealing with housing preservation consists of Mr. Harold Wilson, Ms. Shirley Dennis, Mr. William Whiteside, and Mrs. Harriet Macklin.

Good morning. If you would go ahead and begin your statements—by the weight of them there's a lot here, so if you could summarize it, it would be appreciated, and whoever wants to go first.

STATEMENT OF HARRIET MACKLIN, REPRESENTING THE NATIONAL RURAL HOUSING COALITION

Ms. MACKLIN. Good morning, Mr. Chairman.

Senator MATTINGLY. Good morning, Mrs. Macklin. It's good to see you. I'm glad to have a Georgian, somebody I can understand.

Ms. MACKLIN. For the record, my name is Harriet Macklin and I am from Atlanta, Ga., and I'm on the board of directors of the Georgia Housing Coalition, a statewide nonprofit organization which since 1977 has advocated for improved housing opportunities for the low and moderate income in our State. I'm also a member of the executive committee of the National Rural Housing Coalition, a private, nonprofit organization which advocates for decent housing for rural low-income Americans. On behalf of both memberships, I want to thank you for the opportunity to appear before you today.

I'm here today to express our deep concern about the President's fiscal year 1984 budget request for the rural housing programs for the Farmers Home Administration. Ironically enough, over 7 years ago, the Senate Agriculture Subcommittee on Rural Housing had oversight hearings on Farmers Home discussing some of these same issues. At that time I was a Ford Foundation fellow interning with the committee.

In consideration of time, the following will be the summary of the written testimony submitted to the committee already.

Despite the Congress strong support for rural housing and development, the administration has proposed nearly the same budget cuts and program changes as last year. If the fiscal year 1984 budget request is approved, we believe that the next step of this administration will be to dismantle the Farmers Home and also the remaining housing programs.

The National Rural Housing Coalition fully supports the continuation of the current Farmers Home rural housing program.

Our basic position is supported by a wide variety of other organizations. Specifically, I would like to share with you—and, Senator Mattingly, I have a copy I can leave with you also—specifically I would like to share with you a resolution recently passed by the Georgia General Assembly sponsored by Representative Charles Yeargin and Representative Larry Walker. The resolution requests on behalf of Georgians that Congress continue the Farmers Home interest credit program and take whatever other action is necessary to provide for housing programs to meet the need of rural residents.

[Resolution follows:]

GEORGIA GENERAL ASSEMBLY; H.R. NO. 433; BY REPRESENTATIVES YEARGIN OF THE 14TH AND WALKER OF THE 115TH

A RESOLUTION

Calling upon the United States Congress to continue the Farmers Home Administration's interest credit programs or to take whatever other action is necessary to provide for the support of housing programs which are adequate to meet the needs of residents of rural areas; and for other purposes.

Whereas, the General Assembly of Georgia has become aware of the possible termination of the Farmers Home Administration's interest credit programs; and

Whereas, these interest credit programs are the primary rural housing programs that offer assistance to the rural home buyer according to this ability to repay such assistance; and

Whereas, the State of Georgia is restricted by the state Constitution from using state funds for housing development and the homeownership programs of the Georgia Residential Finance Authority cannot reach the income levels of many low income rural home buyers;

Now, therefore, be it *Resolved* by the House of Representatives that this body does call upon the United States Congress to consider the impact and damage that will be done to rural communities if the Farmers Home Administration's interest credit programs are terminated.

Be it *Further Resolved* that this body does call upon the United States Congress to continue the Farmers Home Administration's interest credit programs or to take whatever other action is necessary to provide for the support of housing programs which are adequate to meet the needs of residents of rural areas.

Be it *Further Resolved* that copies of this resolution be forwarded to the President of the Senate and the Speaker of the House of Representatives of the United States and to all members of the Georgia Congressional Delegation.

Ms. MACKLIN. Mr. Chairman, did you know that there are 500 rural counties that have no savings and loan associations or institutions? Without the direct lending assistance of Farmers Home Administration, there would be virtually no lending for housing or community facilities. You probably already know that over 40 percent of the Nation's worst housing is in the rural areas, and according to the 1980 census over 1.9 million rural housing units are substandard and much of those are in the Southeast and Georgia has its share.

Why the State of Georgia has more than 90,000 substandard rural housing units. The reduction in Farmers Home housing assistance and the change to the block grant concept will be a death stroke to people living in inadequate housing attempting to get financing to purchase or rehab their homes. The coalition recommends that the rural housing block grant, as proposed by the administration, not be adopted—repeat, not be adopted—and that the Farmers Home rural housing program be continued and improved.

OPPOSE BLOCK GRANTS

We oppose the block grant for the following reasons:

(1) Local Farmers Home offices will probably be closed or consolidated.

(2) Service delivery to rural people will be reduced or eliminated in some areas.

(3) Few States have the housing expertise possessed by Farmers Home staff and many States cannot afford to hire that kind of staff.

(4) There is little prospect that new construction can be provided through the block grant process.

Mr. Chairman, in December 1982, the coalition sponsored a 2-day legislative conference which was held here in Washington for the purpose of addressing and developing proposals to streamline, better target and generally improve Farmers Home housing programs.

Farmworker organizations, State housing coalitions, rural housing developers, self-help housing advocates, and advocates of housing for low and moderate income, all members of the National Rural Housing Coalition, collectively worked together on this effort, the result being recommended to the committee:

(1) Extend the loan term of the section 502 homeownership program.

(2) Increase the flexibility of all Farmers Home housing programs.

(3) Improve section 515 programs.

(4) Improve the delivery system of the farm labor housing program.

(5) Target assistance to the neediest of people.

We also would like to recommend and encourage your support in the creation of a new rural housing preservation grant program.

GRANTS PROVIDED

Briefly, grants would be provided to local government, public housing authorities, and nonprofit organizations for rehab of housing for rural low income on a competitive basis. Funds would be allocated on a State-by-State basis. This proposal limits Farmers Home to program monitoring and oversight, the key being that Farmers Home would not be required to process each and every application for assistance. This will be completed by the State and local grantee.

Finally, some comments on the proposed authorization levels. The coalition has found for fiscal year 1980 to 1983 funding levels for Farmers Home rural housing programs have been reduced by $750 million and almost half of that was directed at very low income potential recipients.

The coalition recommends and strongly suggests your consideration of the following:

(1) A level of $450 million for rental assistance contracts.

(2) $50 million for loans and grants for housing for migrant and seasonal farmworkers.

(3) $15 million for self-help housing technical assistance grants.

(4) $250 million for the rural housing preservation grant program.

Thank you, Senator Mattingly. That concludes my presentation.

[Complete statement follows:]

STATEMENT OF HARRIET MACKLIN, NATIONAL RURAL HOUSING COALITION

Mr. Chairman, my name is Harriet Macklin and I am a member of the Executive Committee of the National Rural Housing Coalition (NRHC), a private, nonprofit organization which advocates for decent housing for rural low income Americans. On behalf of our membership I want to thank you for the opportunity to appear before you today.

I am here today to express our deep concern about the Administration's FY84 budget request for the rural housing programs of the Farmers Home Administration (FmHA). The Administration has proposed nearly the same budget cuts and program changes as last year, despite Congress's strong support for rural housing and development in reauthorizing the programs for fiscal 1983.

The Administration has set out on a clear course: destruction of all housing programs for low and moderate income people. If the fiscal year 1984 budget request is approved, we believe that the next step will be to dismantle FmHA and the remaining housing programs. We fully support the continuation of the current FmHA rural housing program.

RURAL HOUSING NEED

Mr. Chairman, as you know, there is a continuing need in rural America for the federal government to assist in providing housing for low income people. Almost 40 percent of the nation's worst housing is in rural areas, and over 500 rural counties have no savings and loan institutions. According to the 1980 census, over 1.9 million rural housing units are substandard. In Georgia, over 90,000 rural housing units are substandard. (See Tables 1 and 2.)

Without the direct lending assistance of FmHA, there would be virtually no lending for housing or community facilities. About 6 percent of the occupied units in urban areas are substandard, while 8.4 percent of the occupied units in rural areas are substandard.

The numbers go on and on, but the basic fact is distressingly simple. Almost 1.9 million housing units in rural areas are substandard; that means that between 8 and 10 million people live in inadequate housing. They will not escape without federal help. The proposed reduction in FmHA housing assistance and conversion to the block grant would be the death knell to rural home builders, to many rural towns and, most importantly, to people living in inadequate housing. This nation cannot afford not to fund rural housing at an adequate level.

INDIAN HOUSING NEED AND ADMINISTRATION PROPOSAL

In addition, 1982 figures from the Bureau of Indian Affairs show that of the 149,166 existing Indian homes, 59,161 are in substandard condition and 30,562 families have no housing of their own. Thus nearly 90,000 Indian families need housing assistance. In 1970, this figure was 63,000.

The Administration's proposal to partially block grant housing assistance to Indians plus requiring tribes to act as comortgagors on FHA-insured mortgages is unworkable and woefully inadequate. NRHC opposes HUD's Indian housing initiative and recommends that the existing Public Housing program be reauthorized and funds appropriated at an adequate level to meet needs until a viable alternative, such as the Indian Housing Act of 1983, can be enacted and put in place. NRHC opposes replacing any federal low income housing program with a block grant.

RURAL HOUSING BLOCK GRANT

NRHC recommends that the Rural Housing Block Grant as proposed by the Administration not be adopted and that the FmHA rural housing programs be continued and improved. NRHC opposes the block grant for the following reasons:

Service delivery to rural people would be reduced.—While few state governments have housing offices or staff in remote rural areas, FmHA has almost 2,000 offices across the country. For example, in Maine FmHA has 30 local offices. No state can afford to duplicate the service to rural residents provided by FmHA.

Local FmHA offices would probably be closed or consolidated.—In fiscal year 1983, rural housing makes up over 40 percent of the overall FmHA program. By eliminating most of the housing program, the overall size of the FmHA program would be reduced. The likely result would be closing or consolidating of local county offices, particularly those with a large volume of housing loans.

Few states have the housing expertise possessed by FmHA staff.—The capability of state agencies to handle the block grant is uneven. Some states, like California and New York, have experienced staff, skilled in housing finance. More often, others, like Mississippi, have little in the way of housing or development experience.

There is little prospect that new construction would be provided through the block grant.—There are several factors which would discourage new construction under the block grant:

The amount of funds available—$850 million maximum—would provide states with an amount insufficient, by itself, to finance any magnitude of newly constructed single or multifamily units.

By splitting the financing from the subsidy the block grant approach ensures an administrative nightmare for the developer and borrower. Many would be forced to make two sets of applications, meet two different sets of standards, etc.

Most state governments may be unable to afford the financing necessary to maintain housing finance and production at current levels. In fiscal year 1983 FmHA provided Mississippi and Pennsylvania with nearly $112 million and $145 million in financing money, respectively. In order to maintain current services, these states would have to increase bond financing and costs to state government. (Table 3.)

Restrictions on types of borrowers and arbitrage limits may make state housing finance agencies unable to afford additional financing for rural housing or unable to provide the range of financing currently available through FmHA.

Smaller states, like South Dakota, would receive so little money ($7.8 million) under the block grant that their options would be severely limited. Many would be able to do little more than renew contracts for rental assistance in existing FmHA rental projects.

NRHC PROPOSALS

NRHC believes that the best way to improve federal rural housing assistance is to work within the existing system. In December, the Coalition sponsored a two-day legislative conference to develop proposals to streamline, better target and generally improve the FmHA housing programs. Out of this effort came the following proposals which we strongly recommend to the Committee:

1. *Adopting the rural housing preservation grant program.*—NRHC supports the creation of a new program: Rural Housing Preservation Grants. With over 850,000 units of substandard rural housing occupied by households with incomes below the poverty line, there is an increased need for a high volume, flexible home repair program targeted to very low income households. And, while the FmHA Section 504 loan and grant program (restricted to the elderly) has proved to be a valuable resource, staff limitations on FmHA are such that a mere increase in funding for that program may not provide satisfactory results.

At the same time, we believe there is a continuing and increasing ability of local organizations to conduct comprehensive home repair programs. By our estimates there are close to 3,000 units of local government, nonprofits and other public bodies of varying types across the country (COGs, public housing authorities, etc.) which have conducted housing development, home repair or weatherization programs.

The Preservation Program, by encouraging a close working relationship between FmHA offices and local entities, is the most efficient way to provide improved housing for low income rural people. The idea behind the Preservation Program is to improve the delivery of rehabilitation assistance by employing the expertise of housing organizations at the local level.

Under our plan, funds would be allocated on a state by state basis acccording to rural substandard housing, rural low income population, age of housing stock, and heating degree days. Grants would be awarded on a competitive basis to applicants which would then make assistance available for rehabilitation of rural housing occupied by very low income persons (those with incomes at 50 percent or less of the area's median income).

This proposal alters the traditional role of FmHA staff in administering this program. FmHA state staff would rank and fund qualified applicants. Grant monitoring would be the responsibility of the relevant FmHA district office. However, FmHA would not be responsible for processing individual applications for assistance; that would lie with the local grantees.

In short, FmHA's role would be one of review and monitoring. The local grantee would operate the program on a day to day basis. By removing FmHA from processing, production of units repaired should be increased. By continuing to employ the current FmHA structure, adequate oversight and assistance to local operators would be ensured.

We recognize that many state agencies have indicated an interest in this program. States can play a positive role by providing technical assistance and other forms of support to local housing organizations. Given the existing presence of the FmHA structure, the involvement of state government in program administration is, in our view, duplicative. Why pay state government to conduct functions that FmHA is able to carry out? Why reduce the funds available to repair the homes of low income people by allowing state government a rake-off of administrative monies to establish a duplicative system?

2. *Extending the term of the 502 homeownership program.*—The term for Section 502 homeownership loans should be changed from the present 33 years to 50 years

while retaining the subsidy term at 33 years. This would lower the family income needed to be eligible for a loan, thus better enabling FmHA to meet its statutory requirements to provide low income people with at least 30 percent of the assistance available. Costs to the government will not rise significantly because few 502 borrowers remain in their homes more than ten years and, upon sale, subsidy funds would not be increased. Borrowers who remain would pay a balloon payment at the end of the 33rd year.

3. Increasing the flexibility of all FmHA housing programs.—Some types of housing projects not presently eligible for FmHA funding should be made eligible, to increase the flexibility and effectiveness of FmHA programs. The use of self-help funding to finance construction of duplexes or townhouses, when appropriate, is one example.

4. Improving the section 515 program.—The Section 515 rural rental housing program should be improved by allowing: transfer of unsalable Section 502 units for use as Section 515 rental units; conversion of owner-occupied large single family residences into two or more rental units; use of detached units, including those on scattered sites, for cooperative housing; purchase and rehabilitation of existing housing for use as Section 515 rental units.

5. Improving delivery of the Farm Labor Housing Program.—The Section 514 and 516 farm labor housing program should be improved by:

Providing up to 10 percent of the funds authorized for Section 516 for grants to nonprofit organizations to cover the administrative and associated costs of planning, preparing applications and developing housing financed under Section 516. This will increase production under this program.

Taking into account only the need for farm labor housing, regardless of other housing needs in the area, when determining an area's need for Section 514 or 516 farm labor housing.

6. Targeting assistance to the neediest people.—All FmHA housing programs should be better targeted to those with the lowest incomes and the worst housing.

AUTHORIZATION LEVELS

From fiscal year 1980 to 1983, funding levels for FmHA rural housing programs have been reduced by some $750 million. (Table 4.) Almost half of this reduction has been in programs directed at very low income people.

	Actual fiscal year 1980	Actual fiscal year 1981	Actual fiscal year 1982	Estimated fiscal year 1983	Percent change 1980–83	Administration budget fiscal year 1984	Percent change 1983–84
Total FmHA rural housing units	132,360	113,069	100,181	93,615	–29.3	3,038	–96.8
Total FmHA rural housing dollars (in millions)	$4,219.5	$3,941.0	$3,883.6	3,446.2	–18.3	$1,216.4	–64.7

Beyond the reduction in programs targeted at low income people, FmHA programs serving low and moderate income people have been held at about the same level since fiscal year 1980; as a result, unit production has fallen by about 30 percent.

The Section 502 homeownership program, with borrowers with average annual incomes of about $11,000, financed 62,739 units in 1980. The projected production for 1983 is 53,700 units. The Section 515 rural rental finance program for families and elderly with incomes of about $11,000, financed 20,980 units in 1980. The projected production for 1983 is 27,435.

Table 5 provides the NRHC recommendations for fiscal year 1984. We recognize that the Budget Committee establishes overall levels for programs. Within the limits established by the Committee, we urge the following levels for selected programs:

NRHC recommends a level of $450 million for rental assistance contracts.—Over half of the units financed by the FmHA rural rental housing program provide a deep subsidy through the rental assistance program; of 276,000 units, over 130,000 have residents paying in excess of 25 percent of adjusted family income or residents who are not low income.

In fiscal year 1984, FmHA will need about $62 million to extend existing contracts for about 6,000 units for 5 years. NRHC recommends that the remaining funds for rental assistance be employed to provide assistance in the following fashion:

[Dollars in millions]

	Units	Cost
Renewal of existing contracts	6,000	$62
Extension of subsidy to low income households living in projects with some units with rental assistance	16,248	172
Newly constructed rental housing (including farm labor housing of 1,230)	20,500	216
	42,748	450

The tandem subsidy of Section 515 (for construction finance) and rental assistance (for subsidy to low income people) compares favorably to other similar subsidy programs, including the HUD Section 202-8 subsidy. The per unit cost per year of the HUD program is $6,802. The FmHA program cost for 1983 is $4,638 per unit per year. (Table 6.)

NRHC recommends $50 million for loans and grants for housing for migrant and seasonal farmworkers.—Farmworkers continue to be the worst housed and poorest of all rural people. Overall unmet need for housing for migrant and seasonal farmworkers is over 1 million units. (Table 7.) An authorization of $50 million for Section 514/516 financing for migrant and seasonal farmworker housing will provide approximately 1,230 units.

NRHC recommends $15 million for self help housing technical assistance grants.—By assisting families in constructing their own homes, FmHA technical assistance grants save families about $10,000 of the cost of a contractor-built Section 502 house. The average cost to the government for the technical assistance contractor is less than $5,000, so there is a net savings to the government of a little over $5,000. Currently, over 100 public and private nonprofit organizations operate self help technical assistance programs. To continue the programs and extend the opportunity for lower cost housing to low income individuals an authorization of $15 million will be necessary.

NRHC recommends an authorization of $250 million for the rural housing preservation grant program.—Over 850,000 units of occupied rural substandard housing are occupied by households with incomes below the federal poverty line. The Preservation Program, working through local governments and nonprofit organizations, is targeted to those households to provide them with rehabilitation assistance, both in single family and rental units.

CONCLUSION

There is a continuing need for decent housing in rural America. And while there has been great progress over the last decade, there is still much to be done. NRHC supports the continuation and improvement of federal rural housing programs under the Farmers Home Administration. We hope our testimony lends itself to this effort. We look forward to working with you, Mr. chairman, to ensure a better rural housing program.

TABLE 1.—1980 CENSUS OF HOUSING, HC80-1-A, SELECTED DATA

	Total (1)	Rural (2)	Outside urbanized areas, places of 2,500 to 10,000 population (3)	Rural plus places of 2,500 to 10,000 (4)
1. Population	225,250,182	59,494,813	14,398,522	73,893,335
Percent	100	26.4	6.4	32.8
2. Occupied year around housing units	80,136,530	19,837,956	5,174,694	25,012,650
Percent	100	24.8	6.5	31.1
3. Occupied year around units lacking complete plumbing	1,739,378	902,249	98,740	1,000,989
Percent	100	51.9	5.7	57.5
4. Occupied year around units overcrowded	3,352,303	768,243	204,724	972,967
Percent	100	22.9	6.1	29.0
5. Total substandard occupied units	5,091,681	1,670,492	303,464	1,973,956
Percent	100	32.8	6	38.8

TABLE 1.—1980 CENSUS OF HOUSING, HC80-1-A, SELECTED DATA—Continued

	Total (1)	Rural (2)	Outside urbanized areas, places of 2,500 to 10,000 population (3)	Rural plus places of 2,500 to 10,000 (4)
6. Percent of all occupied units:				
(a) Lacking complete plumbing	2.2	4.5	1.9	4
(b) Overcrowded	4.2	3.9	4.0	3.9
(c) Substandard	6.4	8.4	5.9	7.9

Note: All substandard units—(Column (1) minus column (4)): 4,114,725; percent of total, 61.2 percent; percent of all other occupied units substandard, 5.7 percent.

Source: Housing Assistance Council.

TABLE 2.—RURAL HOUSING—VARIOUS ESTIMATES OF RURAL SUBSTANDARD HOUSING BY STATE BY PERCENTAGE RURAL AREAS AND PLACES OF 2,500–10,000 OUTSIDE URBANIZED AREAS

	Population	Occupied year-round housing	Occupied year-round housing			
			Lacking plumbing	Overcrowded	Substandard	Percent substandard
U.S. total	73,893,335	25,012,650	1,000,989	972,967	1,973,956	7.9
Alabama	1,898,277	633,482	47,309	30,485	77,794	12.3
Alaska	189,431	57,229	12,592	4,595	17,187	30.0
Arizona	654,910	208,330	15,486	20,376	35,862	17.2
Arkansas	1,414,416	495,590	29,386	24,046	53,432	10.8
California	2,911,248	996,867	15,211	68,120	83,331	8.4
Colorado	751,094	260,989	5,590	9,745	15,335	5.9
Connecticut	735,723	245,541	2,519	3,630	6,149	2.5
Delaware	203,264	70,184	2,496	2,009	4,505	6.4
Florida	2,042,401	736,421	15,621	35,926	51,547	7.0
Georgia	2,481,491	818,188	48,075	42,262	90,337	11.0
Hawaii	218,009	64,898	2,994	10,907	13,901	21.4
Idaho	560,899	184,890	3,482	9,491	12,973	7.0
Illinois	2,349,021	812,386	17,675	20,798	38,473	4.7
Indiana	2,603,815	889,467	18,172	22,038	40,210	4.5
Iowa	1,632,530	579,438	11,303	10,520	21,823	3.8
Kansas	1,025,774	371,058	6,273	8,070	14,343	3.9
Kentucky	2,092,060	702,312	74,947	26,638	101,586	14.5
Louisiana	1,689,441	540,372	23,767	39,236	63,003	11.7
Maine	760,658	261,878	15,904	7,401	23,305	8.9
Maryland	971,563	312,467	14,928	7,273	22,201	7.1
Massachusetts	1,148,889	388,119	4,448	7,594	12,042	3.1
Michigan	3,194,568	1,059,782	18,267	30,950	49,217	4.6
Minnesota	1,698,889	571,930	18,241	15,542	33,783	5.9
Mississippi	1,569,605	500,550	43,066	34,486	77,552	15.5
Missouri	1,981,619	710,831	25,782	23,147	48,929	6.9
Montana	461,226	160,764	4,466	6,974	11,440	7.1
Nebraska	746,010	267,613	4,205	5,569	9,774	3.7
Nevada	173,311	62,967	1,119	3,095	4,214	6.7
New Hampshire	509,095	175,107	4,946	3,930	8,876	5.1
New Jersey	995,210	332,039	3,499	6,800	10,299	3.1
New Mexico	531,463	166,083	13,643	16,275	29,918	18.0
New York	3,250,382	1,077,879	22,388	25,422	47,810	4.4
North Carolina	3,442,876	1,177,278	73,203	46,050	119,253	10.1
North Dakota	397,490	134,239	4,057	4,112	8,169	6.1
Ohio	3,454,591	1,134,339	35,521	29,805	65,326	5.8
Oklahoma	1,347,617	483,199	11,576	19,987	31,563	6.5
Oregon	1,099,823	389,905	6,612	14,212	20,824	5.3
Pennsylvania	4,339,895	1,471,212	38,177	33,460	71,637	4.9
Rhode Island	142,252	45,864	656	1,002	1,658	3.6
South Carolina	1,771,708	570,565	36,462	33,092	69,554	12.2
South Dakota	434,468	147,571	5,163	5,890	11,053	7.5

TABLE 2.—RURAL HOUSING—VARIOUS ESTIMATES OF RURAL SUBSTANDARD HOUSING BY STATE BY PERCENTAGE RURAL AREAS AND PLACES OF 2,500–10,000 OUTSIDE URBANIZED AREAS—Continued

	Population	Occupied year-round housing	Occupied year-round housing			
			Lacking plumbing	Overcrowded	Substandard	Percent substandard
Tennessee	2,154,991	738,116	50,999	27,125	78,124	10.6
Texas	3,889,032	1,318,379	53,521	85,314	138,835	10.5
Utah	332,296	96,364	1,569	7,445	9,014	9.4
Vermont	416,492	145,301	4,360	3,450	7,810	5.4
Virginia	2,088,669	700,103	65,877	21,766	87,643	12.5
Washington	1,337,567	466,863	8,233	16,706	24,939	5.3
West Virginia	1,422,812	481,729	36,755	17,905	54,660	11.3
Wisconsin	2,115,125	705,094	18,852	17,886	36,738	5.2
Wyoming	256,339	87,878	1,596	4,410	6,006	6.8

Source: Housing Assistance Council.

TABLE 3.—FISCAL YEAR 1982 FmHA RURAL HOUSING PROGRAM DOLLAR LEVELS PER STATE

State	1982 actual	State	1982 actual
U.S. Total	$3,884,125,974	Nebraska	30,548,434
Alabama	75,861,274	Nevada	14,605,112
Alaska	18,388,374	New Hampshire	39,328,430
Arizona	37,690,368	New Jersey	44,924,726
Arkansas	87,017,017	New Mexico	51,348,864
California	196,260,269	New York	80,570,216
Colorado	42,810,852	North Carolina	242,651,232
Connecticut	40,539,552	North Dakota	49,689,440
Delaware	5,969,560	Ohio	75,027,602
Florida	122,596,989	Oklahoma	90,216,010
Georgia	144,442,670	Oregon	72,417,958
Hawaii	15,238,400	Pennsylvania	112,588,126
Idaho	26,347,872	Rhode Island	11,363,240
Illinois	104,037,382	South Carolina	114,884,762
Indiana	95,777,010	South Dakota	23,364,510
Iowa	114,842,936	Tennessee	129,935,426
Kansas	40,975,200	Texas	151,905,144
Kentucky	128,356,792	Utah	32,535,850
Louisiana	139,981,068	Vermont	33,553,720
Maine	79,786,550	Virginia	73,912,444
Maryland	48,227,950	Washington	73,671,670
Massachusetts	45,114,898	West Virginia	75,309,056
Michigan	94,165,032	Wisconsin	73,628,554
Minnesota	86,217,700	Wyoming	83,010,408
Mississippi	112,710,410	Puerto Rico	76,336,090
Missouri	115,602,490	Virgin Islands	3,917,500
Montana	33,170,476	W.P.T.T.	13,221,620

Source: Housing Assistance Council.

TABLE 4.—DOLLAR LEVELS, FmHA PROGRAMS, FISCAL YEAR 1979–84

[In millions of dollars and rounded]

	1979	1980	9181	1982	Appropriation 1983	Budget 1984
Rural housing:						
502 home ownership loans	2,870.1	2,843.4	2,589.3	2,476.4	2,300.0	280.0
504 low-income repair loans	14.7	21.9	17.9	10.0	24.0	1.0
504 low income repair grants	19.0	24.0	22.7	13.6	12.5	0
514 farm labor housing loans	36.3	24.6	10.5	11.9	19.0	3.0

TABLE 4.—DOLLAR LEVELS, FmHA PROGRAMS, FISCAL YEAR 1979–84—Continued

[In millions of dollars and rounded]

	1979	1980	9181	1982	Appropriation 1983	Budget 1984
516 farm labor housing grants	32.4	22.3	10.5	14.9	12.5	4.393
515 rural rental housing	869.5	881.3	864.8	953.7	940.0	16.0
523 self-help T.A. grants	5.6	6.2	12.4	4.7	12.5	0
523 and 524 site loans	4.7	1.3	.9	.4	2.0	0
525 Tech. and Supv. assistance grants	2.5	1.5	1.0	0	0	0
Rental assistance contracts	423.0	393.0	403.0	390.0	123.745	62.0
Rural housing block grants	0	0	0	0	0	850.0
Total rural housing	4,285.8	4,219.5	3,941.0	3,883.6	3,446.245	1,216.393

TABLE 5.—RECOMMENDED FUNDING LEVELS

[In thousands of dollars]

(1) Sec. 513(a):		
Sec. 502	Subsidized homeowner ship loans	2,500,000
Sec. 502	Unsubsidized homeownership loans	130,000
Sec. 514	Farm labor housing loans	25,000
Sec. 515	Subsidized rural rental and cooperative housing loans	1,250,000
Sec. 521	Rental assistance	450,000
Sec. 524	Rural housing site loans	2,000
Total		4,362,000
(2) Sec. 513(b):		
Sec. 504	Low income repair loans	25,000
Sec. 504	Low income repair grants	25,000
Sec. 509(c)	Compensation for construction defects	2,000
Sec. 516	Farm labor housing grants	25,000
Sec. 525	Technical and supervisory assistance grants	5,000
Sec. 525	Farm labor housing technical assistance grants	2,500,000
Sec. 532(e)	Rural Housing Preservation Grant Program	250,000
Total		334,500
(3) Sec. 523:		
Sec. 523	Self-help technical assistance grants	15,000
Sec. 523	Self-help revolving loan fund	3,000
Total		18,000
Grand total		4,709,500

Table 6.—Section 515 and rental assistance subsidy costs [1]

[Per unit per year]

Fiscal year 1982:[2]	
Rental assistance	$1,368.48
Interest credit	4,108.55
Total	5,477.03
Fiscal year 1983:[3]	
Rental assistance	1,450.59

Footnotes at end of table.

Interest credit	3,186.55
Total	4,637.14

[1] Rental assistance from FmHA MISTR study.

[2] Interest credit estimated based on: average unit cost of $31,149; average cost of CBO's to government (not rate to borrowers, which was lower) plus 14.19 percent; interest credit to 1 percent equals 13.19 percent subsidy.

[3] Rental assistance equals 1982 actual plus 6 percent; average unit cost estimate equals $34,264; average cost to government (borrowing) estimated equals 10.3 percent; interest credit to 1 percent equals 9.3 percent subsidy.

TABLE 7.—FARMWORKER HOUSING NEED

[Selected States, total]

State	Migrant farmworkers and dependents	Housing adequate or to be rehabilitated	Unmet demand
Total	1,181,585	425,029	756,196
Texas	373,495	4,654	368,841
Michigan	73,810	4,236	69,574
North Carolina	72,880	7,505	65,375
Washington	56,950	7,363	49,587
Illinois	39,500	387	39,113
Florida	93,780	56,637	37,143
South Carolina	19,260	1,572	17,688
Ohio	18,770	1,226	17,544
Georgia	8,510	2,073	6,437

Source: National Farmworker Housing Survey, 1980.

Senator Mattingly. Thank you, Mrs. Macklin. Would the rest of you like to make your statements and then we can go to questions and answers?

STATEMENT OF SHIRLEY DENNIS, REPRESENTING THE COUNCIL OF STATE COMMUNITY AFFAIRS AGENCIES, SECRETARY, PENNSYLVANIA DEPARTMENT OF COMMUNITY AFFAIRS, HARRISBURG, PA.

Ms. Dennis. Thank you, Mr. Chairman. We were just trying to see who would be the most logical follower for Mrs. Macklin.

Senator Mattingly. I can see from the name in front of you that they have you down as Mr. Dennis.

Ms. Dennis. And I'm not Mr. Dennis. I'm Shirley Dennis, secretary of the Pennsylvania Department of Community Affairs. I am here this morning representing the Council of State Community Affairs Agencies in my capacity as chairperson of the Cost of Housing Committee. My remarks this morning will brief. I would request that my prepared statement, which is the heavier one that you have, be submitted for the record.

Senator Mattingly. Without objection.

[Complete presentation follows:]

RURAL AREA DEVELOPMENT ASSISTANCE PROGRAM

FISCAL YEAR 1979

Pennsylvania Department of Community Affairs
Bureau of Community Planning

November 1980

Prepared by: Craig Zumbrun
Housing Specialist

John F. Boyer, Jr.
Economic Development Specialist

FOREWORD

The term "rural investment strategy" means different things to different people. In the Farmers Home Administration (FmHA) Section 111 program, administered by the Pennsylvania Department of Community Affairs (DCA), it has been interpreted as an integral phase of the more encompassing rural development process. It connotes a process of directing state and federal dollars to geographical areas and communities of greatest need. This involves identification and definition of need using certain indices such as substandard housing, unemployment and percentage of elderly. Then, on some measurable basis, communities and areas are ranked as to their relative need. In this manner, the DCA project has developed such an investment strategy.

The rural investment strategy evolved from the review of the comprehensive planning documents with the planning staff in each of the project counties. Similarly, planning and regional development programs were reviewed with the Southern Alleghenies Regional Planning and Development Commission staff. Specific project needs were identified and listed as projects in the rural investment strategy which is included in Appendix A.

However, successful rural development is a function, not only of need, but also of opportunity. A very important element of opportunity is the community's capability to participate in financing of the development process. This vital aspect of project financing is included in the rural investment strategy, which lists projects in each county. The other element of opportunity, and perhaps the most critical, has to do with an intangible motivation factor which implements the rural development process, moving it from the recognition of a need through project completion. It involves people, including elected officials, who have the knowledge, confidence, and the desire to improve the quality of life in their community. Unfortunately, even though there are many people who feel a need for improving their community, they frequently lack the staffing necessary to be effective. Consequently, the efforts of the DCA staff on the FmHA Section 111 program were focused on building the capacity of local organizations to effect rural development.

In the role of a catalytic agent, DCA project staff endeavored to encourage, train, guide and assist local groups and officials in bringing high priority economic development and housing projects to fruition. In many communities the direction of the DCA project effort was to set up a structure (i.e., organizations, staff, motivation) through which the rural development process could be effected. Early in the project year the determination was made that there was not adequate DCA staff time to become involved with the day-to-day project-specific details of application preparation and follow-up. Exceptions included such high priority projects as the Homes of Huntingdon County and the HOPE/Ridge in Fulton County which will be discussed later in this report. Emphasis was placed on increasing the local awareness and use of Farmers Home Administration programs.

The type of agencies assisted and the specific nature of DCA involvement varies from area to area. However, as a general technique for making rural development a vital process, the methodology used for this FmHA 111 project lends itself to replication in subsequent program years and in other areas.

A description of program activities and accomplishments has been included as Appendix B. Much of what was accomplished in terms of a renewed level of local capacity is difficult to quantify without rigorous field and statistical research which was not funded in this grant. However, as an attempt to discern project impacts on FmHA county office loan and grant production, an analysis is presented in Appendix C. The data contained in this appendix item was gleaned from FmHA accounting records. The comparisons indicate dollars obligated and the total number of loans made for each project county, tabulated by program type. The analysis indicates a marked increase in both number of loans and grants made and the total dollars obligated within the program area during the Section 111 project year.

PENNSYLVANIA DEPARTMENT OF COMMUNITY AFFAIRS
FmHA SECTION 111 PROJECT
PROGRAM GOALS AND OBJECTIVES

The theme of this FmHA Section 111 effort was "implementation of rural development" in communities of greatest need. It involved defining, focusing, and reinforcing the plans and ideas of local individuals and organizations as well as demonstrating a viable course of action to effect their plans. To accomplish this end, the following goals and objectives of the Section 111 Program were established:

1. **To increase the awareness and use of FmHA Programs**
   To promote an awareness of and stimulate interest in FmHA housing, community facilities and business and industry programs, DCA project staff formulated and delivered formal presentations (*see Appendices D and E*). Program presentations were made to every agency in the region whose agency mission offered the possibility of complementary resources to the DCA project. These agencies included planning commissions, housing and redevelopment authorities, county rural development committees, community action agencies, weatherization offices, Pennsylvania State Extension Offices, Area Agencies on Aging, councils of government, and various types of nonprofit groups interested in housing or commercial and industrial development. Whenever possible, the media was invited to provide additional public awareness of project activities and opportunities. (*See Appendix L.*) If a particular agency set out upon a specific goal or direction such as in the submission of an application for rural rental housing, a relationship with the media was fostered to bring about general public understanding of the role of the local development agency and the funding role and involvement of FmHA. Additionally, a very conscious effort was made to reach very low income families. This was done by working with community action agencies and weatherization organizations, since both groups generally provide services primarily to the same client population as FmHA's 504 and subsidized 502 housing programs.

2. **To develop a Rural Investment Strategy**
   The rural investment strategy was undertaken to direct FmHA housing, community facilities and business and industrial loan and grant programs to rural areas of greatest need. During February 1979, a detailed assessment was made of the rural development needs in the Southern Alleghenies Region. It enumerated existing conditions and ranked projects and geographic areas by greatest need. In the majority of the projects ranked, the local development agencies or planning commissions had previously documented these needs in one or a number of existing local study documents. To that extent, the projects listed often represented, not only areas of need, but also potential projects which were deemed clearly achievable in a relatively short period of time (two or three years). Throughout the assessment, needs were evaluated using such criteria as income, unemployment and housing conditions in addition to considering county and regional planning goals. The investment strategy which evolved is a tabulation of specific development project needs ranked within each county. It is designed to assist funding agencies, such as the Farmers Home Administration, in directing their investments. This report differs from the investment strategy in that it outlines a methodology to implement the selected projects.

3. **To improve coordination of FmHA programs with Federal, State, regional and local agencies to make the implementation of the rural development process more effective.**
   DCA staff on this FmHA 111 grant arranged and participated in meetings, seminars and workshops with various key public and private-sector organizations and agencies

to explain FmHA programs and to exchange information regarding the role of other funding programs which can facilitate the rural development policy-making process. Informal working relationships between staffs funded by FmHA and HUD, EPA, EDA, and ARC were strengthened. The Federal Regional Council (FRC) was informed of the DCA effort. Members expressed interest in this rural development effort and indicated a willingness to provide assistance on specific projects. Other state agencies such as the Department of Commerce and other DCA Bureaus were integrated into the rural development effort proposed by the project staff. The DCA Regional Office staff, within whose jurisdiction the project counties were located, played an active role in providing technical assistance in the planning and implementation of a number of projects. Bankers and realtors were informed of the FmHA housing program opportunities and asked to become more active in the overall rural development process.

4. **To foster the principle of "community conservation" and to discourage "sprawl development".**

   Over the years, development trends in rural areas have resulted in disinvestment in rural centers with resultant resource and energy intensive "sprawl development" which typically accommodates few people per square mile while removing land from use for agriculture, economic development, recreation, education, as well as other public or socially useful purposes. Because it often occurs along existing roads as strip development, sprawl development often generates traffic safety problems with an excessive amount of curb-cut access to roadside lots, while compromising or eliminating access to interior lots. Because land without sewer and water improvement access is often cheaper land, sprawl development frequently occurs at considerable distances from existing sewer and water mains and laterals. When population growth in sprawl developments requires sewer and water installation, the cost is prohibitive for most homeowners and small businesses, unless the taxpayers-at-large are asked to subsidize such installation through the provision of federal or state grant funds.

   Unfortunately, this trend developed as a consequence of past funding practices of many federal and state agencies. Local government decisions also played a role in this change. The rural development process should *not* view development of prime agricultural land, with associated investment in massive networks of new community facilities, as the path of least resistance, and therefore, the best solution. The objective of community conservation dictates that rehabilitation of existing housing and investment in existing community facilities be evaluated before new construction in fringe areas is seriously considered.

5. **To establish county outreach centers to package FmHA housing applications along with a regional housing resource coordination agency.**

   FmHA funding for Section 111 projects was based on a recognition that many State and local FmHA offices lacked adequate levels of staffing to integrate FmHA housing, community facilities, and business and industrial monies as components of an operational rural development process. It was clear that DCA success in this project would depend considerably upon the identification of community agencies which could make staff available. Accordingly, agencies which were receptive to taking on the task of packaging FmHA applications were identified in each county. Several agencies agreed to provide rural housing aides to expedite this process. A job description for a rural housing aides project was developed (*see Appendix F*). The Comprehensive Employment and Training Act (CETA) evolved as the only readily available source for funding the staff positions. The CETA prime sponsors were very supportive in the effort to develop a staffing proposal (*see Appendix G*). The assignment of responsibility exclusively to county housing authorities for the establishment and direction of rural housing aide projects was considered. However, many of the agencies were too small, lacked experience, or had restricted their services to the point that the agency director was unable to consider other avenues of services. Therefore, the implementation of the county housing outreach center concept was effected by the community action agency, planning commission, or some other viable nonprofit organization.

Housing services in the region were often fragmented. Similar types of assistance were often provided by several agencies with varying capabilities. To fulfill the need for a regional housing resource coordinating agency, DCA project staff supported the formation of the Southern Alleghenies Regional Planning and Development Commission housing committee. This committee brings together staff from agencies throughout the region including representatives of ARC, DCA, HUD and FmHA programs to discuss regional housing development issues and projects with local agencies and officials.

6. **To initiate, assist and monitor the implementation of the rural development process in project areas where an urgent need exists.**

   In a number of instances, due to one or a combination of factors including need, local support, availability of complementary funding, or lack of local expertise, DCA project staff was directly involved in the implementation activities of several local FmHA projects. Through training and technical assistance, DCA project staff sought to provide leadership to community organizations so that specific, much needed rural development initiatives might proceed. The Homes of Huntingdon County and the HOPE/Ridge Project in Fulton County are two such projects. Appendix B contains the details of these and other projects where project staff was involved in implementation details.

PROGRAM DESCRIPTION

In the fall of 1978, the Pennsylvania Department of Community Affairs', Bureau of Community Planning, received an FmHA Section 111 grant to initiate a multi-faceted rural development strategy and implementation effort focused on four counties within the Southern Alleghenies Region. This program included the provision of leadership and coordination in rural development issues. Data collection, review, and analysis, along with the provision of general technical assistance constituted other major aspects of the program effort.

The broad goal of this FmHA-funded project was to assist the State FmHA Director in the development of implementation processes which would increase the utilization of FmHA resources for projects which exemplified nationally established objectives for rural development. Four target counties within the six-county region were selected as the demonstration area for the project: Bedford, Cambria, Huntingdon, and Somerset *(see map page 5)*. These counties were selected jointly by Pennsylvania's State FmHA Director and by DCA, based on the following considerations:

1. The project area was limited to four counties – the maximum geographical area considered manageable by the two person staff. However, as the program year progressed, priority needs were identified in the two remaining counties of the region. The Regional Planning Commission requested that Section 111 staff provide limited technical assistance to address these needs.
2. Each county was evaluated in terms of data on unemployment, percent of substandard housing, per capita income, etc. as directed by FmHA Section 111 rules and regulations.
3. The relative proximity to the DCA central office in Harrisburg was considered desirable for coordination with other state agencies and the FmHA state office. This also assured adequate office consultation for the new staff.

DCA's FmHA Section application was funded for $50,000. This amount was used to pay salaries and fringe benefits of a housing specialist, an economic development specialist and a secretary. The twenty-five percent State match of nearly $17,000 was used to pay the remaining fringe benefits and travel expenses.

The housing specialist had seven years of experience as a housing/relocation officer in a housing/relocation officer in a housing and redevelopment authority then administering a large flood recovery project. The economic development specialist had been a borough manager for six years in a rural community actively engaged in all phases of community development, including urban renewal, water and sewer facility construction, and industrial development.

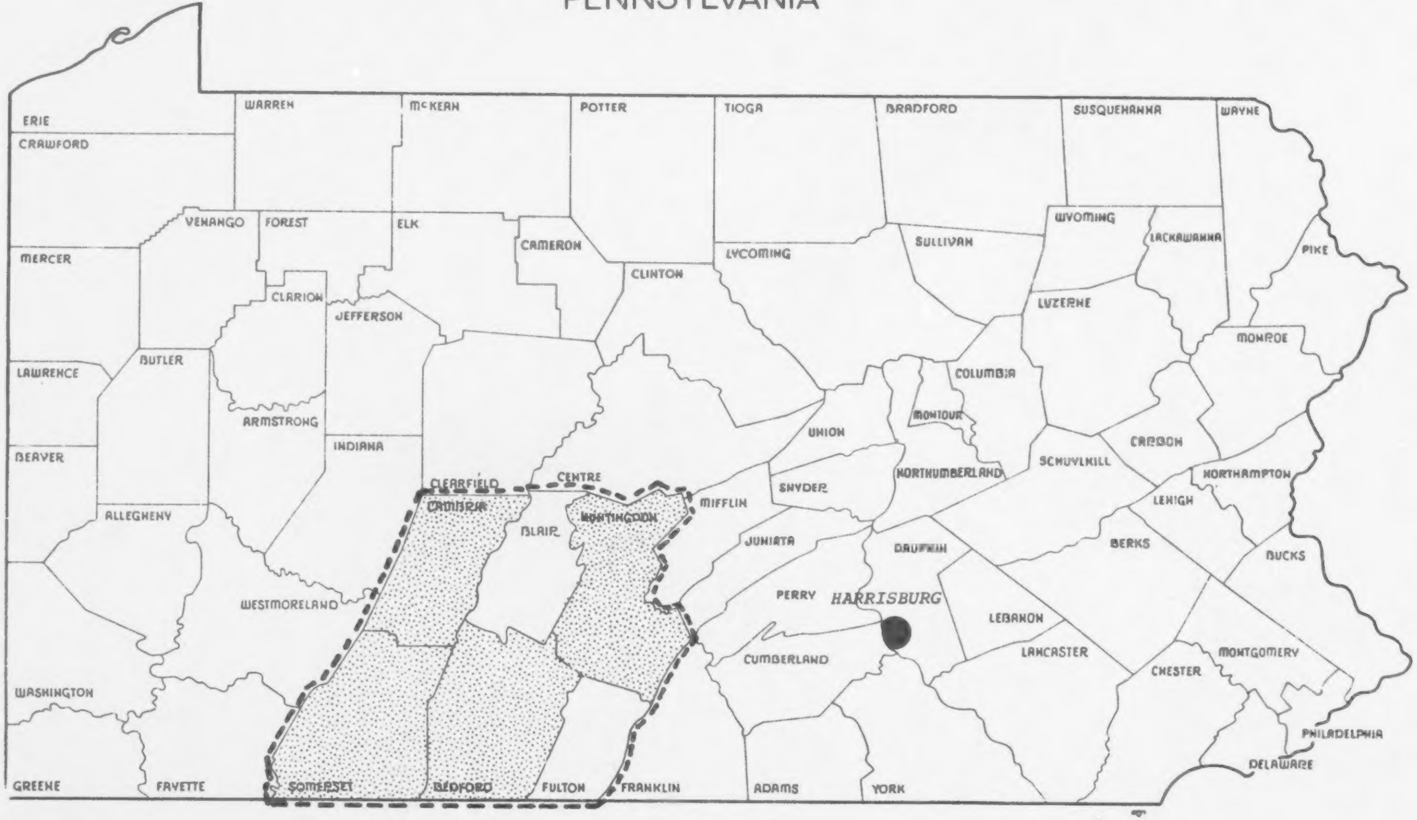
In most rural development issues addressed by the DCA project staff, it was apparent that these different previous work experiences of both staff specialists worked well together to facilitate a more comprehensive approach to local development problems. Therefore, it was standard procedure for the staff to work as a team when visiting community organizations.

Overall DCA project management responsibilities were exercised by a program supervisor within the DCA Bureau of Community Planning, Division of Regional Planning.

The initial DCA staff effort was simultaneously directed in two equally important areas. In addition to housing, community facilities, and business and industrial programs, the staff became conversant with some other FmHA programs, and with the FmHA personnel at the State, district, and county level who are responsible for administering the programs. The second area of initial attention was focused on a careful analysis of county and regional comprehensive plans and regional development programs affecting the project area. The planning staffs responsible for keeping those plans current were contacted to determine local goals and priorities.

Each of these initial endeavors resulted in a written document as a by-product. In the process of becoming familiar with FmHA programs, the DCA project staff prepared two separate outline summaries of FmHA programs – one for housing and the other for community facilities and business and industrial programs *(see Appendix D and E)*. The program outlines were distributed to

PENNSYLVANIA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WYOMING
LACKAWANNA
PIKE
MERCER
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SULLIVAN
LUZERNE
CLARION
JEFFERSON
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LAWRENCE
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INDIANA
CARBON
BEAVER
SCHUYLKILL
NORTHUMBERLAND
NORTHAMPTON
CLEARFIELD
CENTRE
MIFFLIN
SNYDER
LEHIGH
ALLEGHENY
CAMBRIA
HUNTINGDON
BLAIR
JUNIATA
DAUPHIN
BERKS
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WESTMORELAND
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MONTGOMERY
CHESTER
WASHINGTON
PHILADELPHIA
DELAWARE
GREENE
FAYETTE
SOMERSET
BEDFORD
FULTON
FRANKLIN
ADAMS
YORK

▭ - *SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION REGION*

▨ - *PENNSYLVANIA DEPARTMENT OF COMMUNITY AFFAIRS SECTION 111 PROJECT AREA* hundreds of individuals and community organizations throughout the project area. These handouts were the basis for formal presentations, along with graphic aids, which the DCA project staff delivered to numerous agencies, as detailed later in this report. These formal presentations were the mainstay of the DCA project effort to increase the awareness of FmHA programs.

The rural investment strategy contained herein as Appendix A, was the culmination of the DCA staff effort to analyze planning documents in the project area counties. This strategy is a listing of community projects – specific needs ranked by county. Regional planning and development objectives were also incorporated within the strategy. The purpose of the document is to suggest to Farmers Home Administration staff, as well as other funding agencies, how FmHA and other rural development resources can be directed to areas of greatest need. This strategy was a response to a concern expressed by FmHA for directing investment to areas of greatest need rather than those with the best application packaging skills.

One of the prerequisites for hiring the two particular DCA staff specialists was their familiarity with various State and Federal funding agencies. However, in order to refine the coordination and integration of FmHA programs with agencies such as the Department of Housing and Urban Development (HUD), the Environmental Protection Agency (EPA), the Appalachian Regional Commission (ARC), as well as the various State agencies, the DCA project staff met with representatives of each agency, and also with the Federal Regional Council. It was found that continuous contact with each funding agency is necessary to keep abreast of the ever changing programs and program requirements. This current information on funding sources proved invaluable when speaking to community leaders about the opportunity for implementation of proposed projects.

The issue of additional staff to package FmHA housing applications, mentioned earlier, was discussed with various housing, planning and community action agencies (CAA) in each project county. DCA project staff proposed CETA funded rural housing aide positions in each county. The two Comprehensive Employment and Training Act (CETA) prime sponsors in the project area were contacted. To implement this project, job descriptions for the rural housing aide positions were prepared by the DCA project staff (*see Appendix F*). Such a proposal was funded in Somerset and Fulton Counties (*see Appendix G*). Commitments were received from agencies in other counties who wished to implement such a staffing proposal when CETA funds become available.

In this effort to increase the level of community development opportunity, DCA project staff played an additional role. They provided initial training to rural housing aides hired under the CETA program.

While FmHA 502, 504, and 515 programs were stressed, instruction was also provided regarding complementary community development programs, policies, and some development-related agencies. It was DCA's position that new employes in the housing field, regardless of the base of operations, should become conversant at an early stage with local, county, and regional actors and programs active and available within their service area. State and Federal agencies and their programs were also discussed. While learning about the FmHA 515 rental program, for example, the new rural housing aides were concurrently becoming familiar with HUD programs available locally, through the county housing and redevelopment authorities. Similarly, the repair programs available through the FmHA, 502 and 504 programs were related to local community development block grant projects which address property rehabilitation acitivities. Information on the locally sponsored, DCA-funded weatherization program was also reviewed. Emphasis was placed on the potential to integrate and leverage State and Federal funding programs to effect a higher level of assistance to those most in need.

To deliver housing counseling and packaging services most effectively on the local level, the rural housing aides rely upon the support of the sub-county site offices of the community action agencies (CAA). The community organizers in the site office serve as first line referral agents to the housing aides. CAA personnel have also set up community-wide public meetings for information dissemination and general discussions of housing and community facilities needs and programs currently available. These community groups represent, in many instances, the initial phase of developmental planning. In the recognition of such groups' concerns and reactions, local planning agencies gain a valuable source of information to use for comparison when cross tabulating indices of community needs. The rural housing aides represent a new human resource at work in the region. A new service is being extended, particularly to the elderly and the very low income families. Through the packaging services of these aides, the loan and grant making capacity of the target area FmHA county offices has been significantly increased. Outreach efforts of the rural housing aides should result in an increased flow of applications, prescreened for eligibility and completeness. The increased number of applications will translate into more federal investment in areas of greatest need.

In certain instances there were planned projects for which local nonprofit corporations and development groups had sought technical assistance in the preparation and documentation of funding applications. DCA project staff met frequently with the groups involved, reassessing needs, investigating site capabilities, and considering the integration of funding sources whenever advisable. Within the Southern Alleghenies Region, projects varied from self-help housing, to industrial park development, rental housing for the elderly, and proposals for community water and sewer systems. The projects represent obvious community needs, included within existing planning documents. In each case, the resulting applications signified the final step taken toward funding procurement.

By offering training and technical assistance, DCA staff sought to provide leadership to community organizations so that specific, much needed, rural development initiatives might proceed. Emphasis was placed on expanding local capacity to identify and define problems and to select the most desirable solutions. Priority for this detailed involvement by DCA staff was given to projects in areas plagued with high incidence of unemployment and general poverty. Two such projects, Homes of Huntingdon County and the HOPE/Ridge project in Fulton County, are explained in detail in Appendix B.

FINDINGS

The rural development initiative, known as the Farmers Home Administration (FmHA) Section 111 Program and administered in Pennsylvania by the Department of Community Affairs (DCA), produced some positive results in the project area. In terms of quantifiable results, these include the following:

1. an increase in the number and dollar amounts of subsidized housing loans,
2. a subsequent increase in the number and amount of property rehabilitation loans,
3. a direct increase in the number of minority applicants for the housing program,
4. a general increase in the number of loans to areas of definite need,
5. a closer and more productive working relationship between federal, state, and local agencies,
6. construction funded by the FmHA section 502 program was undertaken in several communities within the project area, a majority of which utilized the self-help program.

An assessment of the program year's loan history and accomplishment is detailed in Appendix C.

There were also benefits which lend themselves less readily to direct, quantified statements of results. A significant example is the Homes for Huntingdon project. In this project, intensive technical assistance by project staff succeeded in winning local acceptance of community conservation objectives vitally related to implementation decisions facing the project, thereby avoiding a further contribution to sprawl development by FmHA and DCA.

In addition, these program benefits were derived from clearly repeatable techniques. This issue of replication is discussed under the last section of this report which contains program recommendations.

What follows are the findings of DCA project staff. Although these findings are divided into three groups under three topic headings, it is apparent that a number could have been listed quite justifiably under more than one topic heading. DCA project staff recognized the multi-faceted nature of the findings; nonetheless, an effort has been made to place each finding under the topic heading for which emphasis was especially germane to the purposes of this report. In regard to the outline and numbering system of the findings, an effort has been made to utilize an identical outline and numbering system for the following section on program recommendations for ease of cross-reference between the two sections. Finally, the three consecutive topic headings of policy, program, and resource, respectively, are intended to proceed from general to more specific findings and recommendations. A similar effort was made within each topic heading. The findings follow.

A. Policy Issues

The use of the term 'policy' in this context refers to considerations of program direction, objectives, and constraints, rather than to basic and routine program decisions at an operational level. The findings on matters of policy follow:

1. National policy directives require considerable time to filter down to the county office level. While FmHA objectives articulate a comprehensive rural development strategy, many county-level FmHA staff still regard the strategy as merely another governmental alternative to traditional FmHA operations.
2. The neediest applicants for housing assistance are often not assisted because of a continuation of past policy which emphasized low-risk loans. There is a need for clear, specific, and quantifiable definitions of applicant credit-worthiness. This definition should be established in the national office and conveyed to the county level.
3. FmHA currently supports new construction in their housing programs. This may be due to the fact that rehabilitation is sometimes less routine and administratively more time-consuming than new construction. However, even greater demand would likely result if rehabilitation/purchase concepts were as vigorously supported as the new construction alternative. This policy modification would improve FmHA's reputation in regard to community conservation.

4. FmHA does not have a record of supporting adaptive reuse. Local government leaders who have expressed interest in retaining a sound community landmark, such as a vacant school building, presently cannot expect to obtain FmHA funding for rehabilitation and conversion. This current FmHA policy is counter-productive to community conservation goals.

B. Program Issues

The use of the term 'program' in this context refers to basic considerations about which strategies and activities are selected in order to achieve policy objectives for the program.

1. The FmHA section 111 program, as administered by DCA, produced significant increases in the number of dollars obligated, the number of loans, and program support results in a one-year period. The program has provided assistance in the implementation of FmHA's rural development objectives as defined nationally and from a state level.
2. Geographical and demographical eligibility criteria for the Business and Industrial Loan Program, the Community Facilities Loan program, and the Housing Loan Program differ. This causes confusion on the part of potential applicants and local officials concerned with planning for future developments. Urbanized areas excluded from FmHA loans on these programs are inadequately mapped and often imprecisely defined.
3. Current criteria by which ineligible urbanization is determined permit very broad discretion on the part of FmHA county supervisors. In the past, local planning offices have not been asked to participate in the definition of urban and rural areas.
4. The typical FmHA-financed newly constructed house is often criticized as being a basic box. FmHA construction standards are interpreted conservatively so that the results are house designs which lack flexibility and ingenuity. While limited attempts have been made through architectural programs such as at the Pennsylvania State University, there is apparently no catalogue of pre-approved innovative designs at the national, state, or substate level of FmHA. Utilization and aesthetic concepts of house design should be matters of consultation between county supervisor and applicant family.
5. Current new house construction policies lack flexibility in addressing the issues of alternative energy sources. No trend to alter this condition, despite national problems of energy shortages, has yet been observed.
6. HUD construction standards (Minimum Property Standards) are utilized by FmHA. However, HUD standards often address rural conditions and rural needs inadequately. This is particularly observable in the issue of on-lot sewer systems. HUD standards preclude the use of innovative and alternative systems such as sand mounds, aerated tanks, and holding systems with community sponsored collection. In many areas of the state where mining activities combine with poor soil conditions, housing development has been halted. FmHA has not adequately responded to the particular needs of these areas.
7. A persistent problem for applicants within the FmHA system which has produced frequent criticism is the quarterly funding allocation procedure. At the close of each fiscal year, certain programs, especially the non-subsidized housing program, contain massive backlogs of applications while the state office awaits further funding.
8. The guaranteed mortgage program for above-moderate income families has not been adequately promoted. There is a clear need for the definition of programmatic responsibilities for the state housing staff, the district staff, and county staff. Some county supervisors regard the program as valueless. Bank officials have not been adequately informed of this program. Efforts to promote the guaranteed mortgate program, especially among realtors and bankers, should be intensified.
9. The $300 allowance per dependent under 18 years of age is unrealistic, given today's costs. The Internal Revenue Service has reviewed and updated allowance to the current $1,000 per child per year. Similarly, HUD Section 8 policies permit full-time students, up to age 25, to be considered as dependents. There is a need for interagency uniformity in treating this allowance question.

10. The current 502 subsidized housing program appears to contain somewhat arbitrary eligibility provisions. The precise cut-off amount of $11,200 (adjusted family income) for program eligibility is generally viewed as unresponsive to many low to moderate income families' needs. FmHA staff and packagers see some merit in a sliding scale which would permit the gradual subsidization of mortgages for families requiring this assistance.

C. Resource Issues

The resources of any organization are the tools with which it must carry out its objectives. The use of the term 'resource' in this context refers to problems and opportunities which affect internal organization and agency performance.

1. The Pennsylvania FmHA state, district, and county offices appear to be inadequately staffed. Comparisons with other states indicate that Pennsylvania currently ranks 32nd in the nation in FmHA staffing levels, while having the largest rural population of any state.
2. The concepts of the rural housing aide positions, the outreach centers, and housing committees as proposed and supported by DCA project staff are useful, productive means of augmenting FmHA staff and of assuring that assistance is given to those in need. Because CETA funding for the aides is not permitted for long term funding, there must be alternative funding provided for continuation of this effort. Without continued funding, the capacity-building effort encouraged by the DCA project staff which facilitated the development of the aide positions will have been of little lasting effectiveness.
3. FmHA staff generally are unexposed and, therefore, unresponsive to planning considerations. Basic objectives such as community conservation, the reduction of new sprawl types of development, and the preservation of environmentally sensitive areas and prime agricultural lands must be integrated into funding agency policy and set forth in procedural guides. Similar benefits would accrue if county supervisors made a practice of seeking out county planning and development professionals to develop closer agency relationships.
4. Standards for employment background and educational training required for FmHA staff currently imposed by the Civil Service Commission apparently have not been modified as the agency has grown. Non-farm programs now constitute approximately 40 percent of the FmHA budget. Provisions for advancement within the county system require adequate agricultural experience or education. These narrow requirements restrict the promotion possibilities of county staff whose level of performance otherwise would warrant promotion. Formal educational advancement for most FmHA staff is not vigorously supported.
5. Applicants to FmHA often find it difficult to learn the fate of their applications because of the absence of an efficient tracking system for grant applications within FmHA. This is particularly true within the multi-family housing and community facilities programs.
6. The property rehabilitation program lacks systematic property inspection forms, procedures, and a rehabilitation work progress tracking system. Unlike many property rehabilitation programs developed through U.S. Department of Housing and Urban Development funds, FmHA rehabilitation programs offer wide latitude for individual discretion on the part of the county supervisor.
7. FmHA does not currently use a notification-of-receipt form or procedure to assure that applicants are aware of the starting time for the review of their application. Often the applicant is forced to question FmHA in writing on this point, ultimately requiring additional work for FmHA staff through their written responses.

RECOMMENDATIONS

The following recommendations appear in order of relative importance from the vantage point of the DCA 111 first program year effort. The recommendations address issues identified in the findings in a point-by-point fashion. The observations are detailed following each prime recommendation.

A. Policy Issues

1. A more clearly defined national policy regarding FmHA's role as the rural development agency should be promulgated from the national office.
   Considerable lag time is experienced before nationally established policies and procedures are acted upon at the county level. Therefore, an entire review of the information dissemination system should be conducted. A striking example of this informaion gap occurred when the FmHA 601 program began. During the period of time when district offices were to receive and review preapplications for the program, the offices had not received any review guidelines nor the final regulations.
2. Clear, concise, national policy addressing the issue of credit worthiness should be developed by the national office staff as a guide for county supervisors.
   National policy established by the current federal administration requires that federal funds be spent to assist those most in need. The translation of this policy into the terms of FmHA operations strongly suggests the desirability of lowering currently operational credit history/worthiness criteria used for evaluation of 502 and 504 applicants. Excessive latitude for individual FmHA staff discretion characterizes the current operational procedure. Until the parameters of this policy are defined clearly, it is difficult for FmHA staff to assist some of the neediest families.
3. FmHA should adopt an aggressive policy encouraging and promoting the rehabilitation of existing structures in the Section 502 program.
   To bring about the attainment of community conservation goals, to reduce sprawl development, to support energy conservation goals, rehabilitation programs available through FmHA should be developed and expanded. By working closely with community action agencies, housing and redevelopment authorities, community development groups and other nonprofit organizations already working in the field of rehabilitation, FmHA can build an operational structure for its position of rural development coordination agency. Developers, contractors, and repair specialists should be consulted and intensive workshops should be held locally so that an effective and efficient rehabilitation program results. Rehabilitation can be conducted in a wide ranging and simplistic manner, or through careful consideration, rehabilitated properties can result which have preserved architectural details. Homes preserved in this manner often contribute strongly to a community's sense of identity. Rehabilitation is a much more important issue in the Northeast, in Pennsylvania particularly, than in much of the rest of the nation. By responding to the importance of this issue and modifying procedures, holding staff training workshops and improving present techniques, FmHA's emerging rural development role can be made to be supportive of community conservation.
4. FmHA should accept applications for a model or prototype adaptive reuse project under the FmHA Section 515 program.
   Where there is a strong local priority and support for such a project, rehabilitation reuse should be studied for actual cost effectiveness even if the proposal and initial architectural and engineering studies indicate that the project may be marginally effective in a cost-benefit relationship. Again, an improvement in FmHA's community conservation performance is the primary objective of this proposal.

B. Program Issues

1. Section 111 projects which stress plan implementation should be continued.
   State governments, particularly agencies such as the Pennsylvania Department of Community Affairs, can play an effective role as intermediaries, assisting local government and individual applicants to accommodate federal program requirements, and vice versa. In Pennsylvania, for example, DCA also provides vital technical assistance and financial resources which can broaden the effectiveness of FmHA programs to enhance community conservation objectives. With its membership on the Governor's Committee on Economic Development, DCA has access to the Commonwealth's development opportunity process. This process can add funding from various sources to FmHA projects, thus making the State a partner in development with FmHA.
2. The Pennsylvania State FmHA office should revise the system of defining 'rural character' as it relates to determining geographical/demographical area eligibility for each program.
   Maps produced by the county offices, which indicate urbanized areas, are often inadequately drawn and unsatisfactorily reproduced. Applicants are often unsure of whether their proposed project is within an eligible area or not. Local professionals, particularly county planners, have expressed annoyance at their exclusion from participation in the review of areas to be defined as 'urban' or 'rural' in character. FmHA should consider reviewing the impacts of the present geographical eligibility system. A recommended annual review of data and a system of map publication, such as through the Federal Register, would assure that all interested local officials and private developers would be aware of a potential project's geographical/demographical eligibility. While further FmHA policy/programmatic review is suggested to consider the possibility of unifying the eligibility criteria, it is understood that such changes may require some time to implement.
3. The Pennsylvania State FmHA office should develop a policy to insure that county supervisors solicit the input of county and regional agency planning officials when decisions are made to redefine eligibility area boundaries. Through the official position as review agencies under the A-95 system, county and regional planners will be of valuable assistance in identifying development trends and in predicting future conservation and development needs.
4. Federal and State FmHA offices should develop and update a portfolio of preapproved, innovative, efficient, and attractive home designs for the 502 program.
   Through professional or academic routes, a pilot effort to gather and screen designs suitable for FmHA housing programs should be instituted. A national standard is needed. A subdivision containing FmHA-financed homes should not carry the stigma of the standard box. Through agency initiatives, FmHA can serve as a national pacesetter by funding designs for the future including passive and actively solar concepts, earth sheltered housing and other alternative, energy-efficient design concepts. Flexibility, including expandability, seem to be key ingredients missing from most designs FmHA approves. More emphasis should be placed on considering funding of new duplexes and townhouses for energy conservation and general reasons of investment return.
5. FmHA financed newly constructed houses should include alternative energy designs.
   A set-aside of funds should be used to study the feasibility of including innovative and alternative energy systems for future FmHA-financed homes. Site location, design, and landscaping should be assessed for energy considerations and impacts. FmHA county and district staff could profit from workshops on energy and housing design and siting issues. Participants could include state energy experts from the Bureau of Community Energy or the Governor's Energy Council.

6. FmHA should conduct a thorough, critical review of HUD Minimum Property Standards particularly as they relate to individual sewerage systems.

   On a trial basis, in areas of greatest need, innovative and alternative systems such as elevated sand mounds, holding tanks, and aerated systems should be explored.

   A catalog of domestic alternatives should be compiled and a specific state set aside for model ("study") houses should be established. While DCA recognizes that there are many areas of the state where expertise on design, location, and construction of alternative systems are deficient, FmHA should take a leadership role in forging the funding and administrative systems to permit the implementation of cost effective, environmentally acceptable alternative sewerage systems. This will permit rural development to occur as is needed in many areas of the state where current soil and financial factors have limited or totally restricted development.

7. The pervasive problem of the quarterly allocation process should be reexamined from the national and state FmHA offices.

   Congressional action may be appropriate to alleviate the burden now facing many applicant families who became eligible near fiscal year end when funds have been depleted. Because of budget disputes, resultant appropriation delays sometimes cause considerable problems for expectant applicants, bankers, realtors, and sellers.

8. The FmHA state office housing staff should design and produce a systematic promotional program to foster the use of the guaranteed mortgage program by families of above-moderate income levels.

   Bankers and realtors should be the primary focus of this effort. FmHA should capitalize on the current tight money market to gain the ear of the housing and financing professionals. County supervisors should also be encouraged to follow-up on this promotional effort at the local level.

   The guaranteed mortgage program is inadequately supported at the local level. If an intensive promotional effort brings few documentable results within a six to nine month period, it may be advisable to relate these experiences directly to the national office with recommendations for program reassessment.

9. The current $300 deduction allowance for dependent children under 18 years of age should be increased.

   In general, this issue of an allowance should be closely scrutinized to determine the feasibility of bringing the dollar level and policy into conformance with HUD Section 8 policies of the Internal Revenue Service deduction limit, currently standing at $1,000 per child. There does not exist within the current FmHA system adequate provisions for minor, dependent full-time students. The Section 8 policies provide deductions for dependent, full-time students up to age 25. FmHA decision makers should reconsider current policies with regard to HUD and IRS standards.

10. The state office should begin a dialogue with the national office concerning the need to develop a sliding mortgage rate scale for subsidized housing program (502) applicants.

    The current system is plainly vague and inadequate. It is generally not supported by any individuals who are thoroughly familiar with the system both inside and outside of FmHA. Program regulation amendments are recommended.

C. Resource Issues

1. Firm FmHA state policy addressing the relationship to be developed between primary nonprofit packagers and FmHA county offices should be developed and disseminated.

   Because of the need of additional staff, Pennsylvania FmHA is under a greater workload burden than most of the other state offices. Particularly because of this fact, FmHA staff should welcome the assistance of outside packagers. The relationship between county office and local packagers must be fostered and improved.

   The U.S. Department of Agriculture should consider the feasibility of increased coordination between FmHA, ASCS, and other agriculture-related agencies. Where there exists the potential to share workloads in such basic, but nevertheless, time-consuming activities such as answering telephones and client reception, directives for coordination should be promulgated.

During the year, visits were made to FmHA offices that were not open or had only a single occupant because of staff illness, transfers, or general employment changes. In such circumstances, county supervisors should be permitted and encouraged by the State FmHA office to obtain suitable temporary help to lessen the burden of office duties on remaining staff and to generally keep work already in process, flowing smoothly.

2. FmHA should seek and procure funding to continue and expand the rural housing aide positions.

   Potential funding sources at the federal and state levels such as Department of Welfare, Department of Labor, and the State Office on Aging should be contacted. The possibilities of developing existing Section 111 and Section 525 programs to directly support outside packagers should be explored. Assured future funding for the rural housing aides position is a major factor what will contribute to the long-term success of the outreach and packaging program as has been described in this section 111 project report. CETA funds are a suitable source of start-up money but program regulations preclude long-term retention of any individual aide within the CETA system. While exemplary aides may be encouraged to apply for employment within the FmHA system as assistant county supervisors, the overall county rural development team is not greatly assisted in the long term unless the aide position is retained. This is because there exist two definite roles of applicant advocate and FmHA advocate which the rural housing aides can assume most effectively outside of the FmHA system.

   While the FmHA 525 (Supervisory and Technical Assistance Program) may prove to be an acceptable method of funding an outside agency to assist with rural development, the current program limitations of a single-two year grant per state precludes the long-term effectiveness of the 525 program as a means of financing the aides positions. The expansion of the Section 525 program may prove sufficient to support the rural housing aide network established by the DCA project effort. The need to assess the potential of continuity and growth of the aide program is clear.

3. A series of workshops should be held to train district directors, assistant district directors, county supervisors and their assistants in general planning programs and policy considerations.

   Periodic state office reviews of county office activities should assess the impact of FmHA programs upon county and regional planning policies and programs.

   The concept of the FmHA growth management plan for allocating program dollars by ranked county need should be expanded. Local, county, and regional planning and development agencies should be invited to review or assist in the development of these documents.

   A final recommendation on this general item of planning indicates a need for county and district representation and participation in a regional housing and development committee, such as has been developed through the Southern Alleghenies Regional Planning and Development Commission's Housing Advisory Committee.

4. The Civil Service Commission's requirements for Assistant and County Supervisor positions need to be reevaluated.

   As FmHA's program emphasis has evolved to the present role as rural development agency, employment skills sought through the Civil Service Commission system have remained fairly constant. In those counties where agricultural/farming needs and demands are less dominant, staff with skills in housing, development, and administrative areas would be quite useful. This employment background issue merits discussion with educational institutions. Agriculture science departmental chairmen should be aware of the changing emphasis of major employers, such as the U.S. Department of Agriculture. Departmental offerings in planning, housing, development, and public or business administration would be excellent additions, options, or electives to be considered for the existing academic programs.

5. A data processing system should be developed to track and monitor community facility, rental housing, and business and industrial loan applications.

   Applicants and loan packagers have experienced delays of three to nine months from the date of application submittal until actual loan (or grant) closing. Occasionally the reasons behind the delays were understandable or beyond the realm of the county supervisor's control. However, improved communications between client and FmHA staff often would have prevented major misunderstandings and delays. In light of the dramatic increase in the number of programs and amount of funding in recent years, the FmHA system could benefit tremendously by the institution of systematic review and application control techniques.

   Certainly, the use of data processing units to track action taken on funding applications, program expenditures, etc. could result in substantial time-savings. The occurrence of lost documents could be eliminated. If the costs cannot be incurred for such hardware and software, a refined, manual-review process should be instituted so that at least one staff member would completely control monitoring of application processing.

6. The property rehabilitation program should be improved by instituting systematic property inspection forms, procedures, and an improved rehabilitation work progress tracking system.

   Unlike many property rehabilitation programs developed with the use of Department of Housing and Urban Development funds, FmHA rehabilitation programs offer a great deal of flexibility and individual staff discretion. This in part may be due to the fact that rural areas are much less likely to have locally-adopted codes, enforcement organizations, or alternative financial incentives to bring about repairs. To this extent, flexibility is absolutely necessary, or the rehabilitation program will be very difficult to initiate. Similiarly, it will be difficult to reach areas of greatest need.

   Conversely, this flexibility can work against the goals of the rehabilitation program. This situation occurs when too little emphasis is placed on experienced selection of the most effective method of treating the areas to be repaired. Most of the FmHA loan programs lack an adequate, systematic review process which could facilitate a more rapid and thorough review of each application as it is processed. The institution of a comprehensive inspection form is one simple method that can be employed to insure that a more uniform, systematic, and unbiased approach is taken in the rehabilitation process. Offices that formerly have had weak repair programs might be given additional motivation to strengthen their programs by the assurance that each county office would then have more fully defined and more easily identified rehabilitation standards and monitoring techniques. A unified inspection form would provide adequate documentation that a county supervisor had thoroughly inspected the entire house and appurtenances, overlooking nothing. This form, then, could serve to protect the supervisor from undue criticism by an applicant who may allege the omission of certain items when the inspection was conducted.

   Similarly, a more uniform and statewide contractual agreement form should be implemented to minimize controversy between the contractor and the applicant family after work is completed. This agreement would forbid the inclusion of any additional work items without a prior written contract amendment witnessed by an authorized FmHA staff member.

7. FmHA should develop a receipt-notification procedure with rigid time requirements and cut-off deadlines for 515 and community facility loan applications.

   The institution of a receipt-notification procedure would assure applicants that their documents had been received and were being processed. The institution of data processing or a manual technique is essential if rural rental housing, business and industrial and community facility program applications are to be managed more efficiently. This would permit projects to be ranked and funds to be directed to specific locations on a more objective basis. It would also allow applicant agencies to conduct more accurate planning with regard to funding from other federal and state agencies that possibly could contribute to the project.

Whatever system or procedure is developed for application tracking and processing, consideration must be given to including the packager in correspondence and discussions regarding that application. This is especially important at the county office level when dealing with elderly and low income applicants who have minimal understanding of the paperwork process. In many instances, these individuals would not have applied to FmHA without the efforts of the packager. Recognizing bona fide packagers as an integral and important part of the rural development process will greatly expand the capability of the Farmers Home Administration to reach those in need.

APPENDIX A

Southern Alleghenies Region
Pennsylvania

Farmers Home Administration
Investment Strategy

October 31, 1979

Pennsylvania Department of Community Affairs
Bureau of Community Planning
Harrisburg, Pennsylvania

J. Fred King, State Director
Farmers Home Administration

Shirley M. Dennis, Secretary
Department of Community Affairs

PENNSYLVANIA
SOUTHERN ALLEGHENIES REGION

Description of the Project Area

The Southern Alleghenies Region, located in the south central part of Pennsylvania, encompasses 4,648 square miles or eleven percent of the land area in the Commonwealth. The region is composed of six counties, with an estimated total population of 495,025 in 1976, up from the 1970 census figure of 490,415. These counties are: Bedford, Blair, Cambria, Fulton, Huntingdon, and Somerset.

Although there are two (urban) trading centers in the region, Johnstown and Altoona, the area is primarily rural. Bedford and Huntingdon Counties illustrate the rural nature of the region most dramatically with densities of 42 and 70 persons per square mile, respectively. The average density within the region is 117 persons per square mile, while the statewide population density is 264 persons per square mile. Cambria, Blair, and Somerset meet criteria to be considered as S.M.S.A. however each of these counties is primarily rural. *(See Figure 1).*

Housing Characteristics

The housing stock within the region is primarily older, single-family units. More than sixty percent of the region's housing was build prior to 1939. Many of these housing structures are over one hundred years old and are in deteriorated or dilapidated conditions. Based upon 1970 census data, 9% of the region's housing is substandard; however, a regional survey identified approximately one-third of the housing as substandard and in need of repair. *(See Figure 2.)*

The continued escalation of costs for new construction, coupled with the low per capita income, has precluded investment in new homes. There is little incentive for developers to build new homes because the current population cannot afford them and there is little in-migration of a population that can afford newly constructed homes.

As a result, local and regional planners have placed emphasis on rehabilitation of existing units rather than on new construction. There are some areas, however, such as Ebensburg, Cresson, Somerset, and Huntingdon where growth is occurring. In these areas, there is a demand for new construction. Region-wide, however, there is a greater demand for assistance in repairing existing homes than in building new ones.

Population Characteristics

Based upon 1976 population estimates by the Bureau of Census, there has been a net increase within the region of only 4,610 which is less than 1% growth. *(See Figure 3.)* However, independent studies conducted within the region have predicted an actual loss of approximately 5,000 persons within this same time period. This figure will also amount to less than one percent change in the size of the total population of the six-county area. Population is declining particularly among persons between 35 and 49 years of age. During the period from 1970 to 1979, nearly 9,600 persons, or twelve percent, in this primary worker group will have moved out of the six-county area. The principal reason for this out-migration trend is a scarcity of jobs, particularly the higher-paying factory jobs sought by household heads to provide economic security for their families. This pattern of out-migration among people in the family-rearing years is further substantiated by a decline of almost identical proportion (eleven percent or over 15,000 persons) in their children's generation, i.e., persons under age 15. Although there are large numbers of persons moving out of the area, some segments of the population are growing, due to relatively high birth rates in the past. The number of persons between 15 and 29 will increase by eleven percent during the nine-year period, while an increase of five percent is likely for persons 50 years old or over. High birth rates and reduced mortality rates are not quite keeping pace with the loss of population due to out-migration.

With the loss of so many young and middle-aged wage earners and young children, the Southern Alleghenies Region is left with an aging population. This problem will only intensify if this trend continues. By the year 1995 (15 years into the future) when these children enter the labor force, there will be a noticeable decline in the number of young workers and a corresponding drop in the number of young couples establishing homes and families. The number of retired persons will continue to grow, creating a greater demand for specialized health and community services. An aging population yielding a gradually dwindling labor force creates a shrinking tax base. This implies that there will be greater demands for certain types of tax-supported services, with fewer workers to finance the services.

More industrial development with new jobs, especially in the rural areas, will help to arrest, and perhaps reverse, the present net outmigration trend. Improved mass transit systems may enable many people to continue living in the area while commuting to work in other places. Major changes in the state's or nation's economy may cause population to flow away from suburban areas and back into rural areas.

The 1970 census report indicates that 6,323 blacks lived in the region - approximately 1.2% of the total population. However, most of this minority population was clustered in the urban areas of Cambria and Blair Counties. Members of racial minority groups constitute only one percent of all students enrolled in school during the fall of 1976. Over eighty-four percent of the nonwhites in the region are black. Asians and Pacific Islanders account for eight percent, while the remainder are Hispanic or American Indians. Cambria County has the highest percentage of racial minorities in its school system (three percent), while Somerset County has the smallest percentage (0.4%).

Although population can be expected to decrease by approximately one percent from 1970 to 1980, the size of the civilian labor force is expected to continue its pattern of expansion, rising from 177,577 in 1970 to an anticipated level of 206,200 persons in 1980, an increase of sixteen percent. The primary reason for this increase in labor force despite a decline in population is a rise in the labor force participation rate. It is anticipated that there will be fewer people living in the Southern Alleghenies Region in 1980 than in 1970, but a much higher percentage of them will be in the labor force, either as workers or as unemployed jobseekers. The overall participation rate is expected to increase from fifty-one percent of the population in 1970 to sixty-six percent in 1980. This very significant percentage of increase translates into an expansion of more than 28,600 more persons in the labor force.

The District and Its Economy

A comparison of employment statistics between 1977 and 1978 indicates major increases in the size of the civilian labor force with corresponding increases in unemployment throughout the six-county area due to only a nominal increase in employment opportunities. The unemployment rate in the Southern Alleghenies was at twelve percent in March 1978, considerably higher than the ten percent rate recorded in 1977. A number of factors were responsible.

Probably the most significant event in the past three decades was the 1977 flood which caused the loss of approximately 75 lives, devastated the City of Johnstown and inflicted millions of dollars worth of damage on Cambria and Somerset Counties in July, 1977; and which had the most profound effect on the local economy. Non-industrial property damage was estimated to exceed $300 million, while 584 companies accounted for another $121 million, not including several million dollars of damage at Bethlehem Steel's Johnstown Plant. The effect of the flood is manifested in the dramatic increase of existing 502 and 504 loans (in the flood affected areas) which are now in default.

The coal miners' strike was a major influence on the local employment scene. The strike, which began on December 6, 1977 and lasted until March 27, 1978, idled 7,500 miners in Cambria and Somerset Counties. Had the strike lasted another few weeks, its effect on the local economy would have been disastrous. It's effect on electrical power generation would have been catastrophic. The loss of miners' wages was readily apparent in the decline of retail sales and delinquent mortgage payments.

The third major event which hampered economic growth during the period 1977-1978 was the severe winter weather which the area experienced from December 1977 through mid-March 1978. Unusually heavy snowfalls (up to 40 inches in Blair County during one week in January) and a protracted period of bitterly cold temperatures forced numerous school closings and some reductions in business hours. However, the worst effect was the shortage of fuel, particularly natural gas in some areas. This was the second consecutive harsh winter in Pennsylvania. Although the weather was actually harsher in 1977-78 than during the winter of 1976-77, fuel shortages were less severe and economic disruption much milder than during that period.

State and Federal Assistance

The Farmers Home Administration, in concert with other state and federal agencies, can play an important role in revitalizing the economy of the Southern Alleghenies Region. Prudent investment in housing, community facilities, and business and industrial projects will stimulate growth and encourage private investment within the region. State disaster assistance funds for the flood affected areas are expected to exceed $50,000,000; however, as cited above, actual losses were in excess of $421,000,000. Public support can play a major role in recovery but investments must be very carefully chosen so as to assure that, when possible, the government funds leverage private investment.

Bedford County

HOUSING

Housing Conditions

A. Age of housing stock: Seventy percent built prior to 1939
B. Structural condition: Fifteen percent is substandard, of which one-third is beyond repair
C. Tenure: Eighty percent owner-occupied and twenty percent renter-occupied
D. Elderly population: Fifteen percent
E. Vacancy rate: Eleven percent
F. Median Family Income: $7,295 (1970)

Housing Needs

The County's high vacancy rate is indicative of the slow growth rate in Bedford County. There is little need for new construction, except in those areas where replacement is required. Rehabilitation is the principal need in the housing market.

Lack of sufficient income remains the primary obstacle to families needing to rehabilitate their homes. The same problem causes families to remain in deteriorated housing which should be replaced. The distribution of lower-income families correlates strongly to those areas where substandard housing is prevalent. The median income for Bedford County in 1970 was $7,295. Statewide the median income was $8,900. It is presumed that these figures have remained constant in terms of 1979 dollars.

The population growth rate (and trend) for Bedford County is low. There has been a negligible change in population in the last decade, but there is now evidence of a slight increase which may be a return of population from urban areas. However, new housing demands remain low. The need centers on rehabilitation of existing units and (single-family) new construction only to replace those units that have already are beyond repair.

Targeting of FmHA Housing Funds

A. Section 502 new construction loans should be targeted to the northwest portion of Bedford County to meet the demand generated by the Raystown Lake recreation facilities. Raystown Lake has created new jobs in the region. New construction should also be targeted to meet the replacement need from housing demolished due to deterioration.

B. Section 502 rehabilitation loans should be targeted throughout the county. The problems of substandard housing are most evident in the Boroughs of Broad Top, Coaldale, Hopewell, St. Clairsville, and Manns Choice and in the Townships of Broad Top, Harrison, Juniata, Lincoln, Nopier, Southampton, and Union. Broad Top Township faces the most immediate need, with 390 of its 589 units identified as substandard by the Bedford County Planning Commission.

C. Section 515 rental housing should be constructed to serve the elderly and lower-income families. The relatively high vacancy rate of both single-family and multi-family units possibly indicates that rental housing is in demand.

The Bedford County Planning Commission's 1979 *Comprehensive Plan - Project Report* details precise housing data by community area. Based upon the statistics for these clustered minor civil divisions, three areas may be ranked high in need categories for all housing programs.

1. Broad Top Community Area: Includes Saxton Borough, Liberty Township, Hopewell Borough, Coaldale Borough, and Broad Top Township. The 1973 special census figures indicate to population base 4,701 living in 1,559 units 85.9% or 1,335 are sound, 14.1% or 219 are termed substandard, with 37 of these units recommended for removal. Within this area, 39% of the households are headed by someone over 62 years of age.
2. Hyndman Community Area: Includes Hyndman Borough and Londonderry Township. The 1973 special census enumerated 2,959 residents in 948 units. Only 84.7% (754 units) were termed standard; 15.3% (136 units) are substandard, seven structures are recommended for clearance. Households are headed by elderly in 33.1% of the cases.
3. The Bedford Community Area is comprised of Bedford Borough and Township, Harrison Township, Juniata Township, Manns Choice Borough, Nopier Township, Shellsburg Borough. The area had a population of 11,463 in 1973.
   Of the 4,078 housing units, 3,302 (88.9%) were standard, 414 (11.1%) were substandard and 60 of these units were termed removable. There are approximately 28.6% elderly headed households.

LOCATION	PROJECT	ESTIMATED COST
1. Schellsburg Borough	Sewage Collection and Treatment	To be determined
2. Bedford Township	Sewage Collection and Treatment	To be determined
3. West Providence Township	Sewage Collection	$1,852,000
4. Everett Borough	Regional Sewage Treatment Plant	$1,052,000
5. Snake Spring Valley Twp.	Sewage Collection and Treatment	To be determined
6. Everett Borough	Extension of main interceptors to rivers bend addition	To be determined
7. Hyndman Borough	Sewage Collection Lines Extension	To be determined
8. Saxton Borough	Sewage Collection and Treatment	To be determined

Note:
While these projects represent cost effective clustering of communities for the provision of sewage service each project's merits must be reassessed when appraised against suitable alternatives for each listed project. There are simply too many unknown quantities including terrain, subsoils, existing capacities, local support, etc., to determine *absolute* priorities of any of these projects in a listing document such as this investment strategy. Therefore, priorities listed in this study are based upon field observations and felt needs as expressed by local decision makers.

Economic Development

Bedford County, with consistently the highest unemployment rate in the six-county region, is actively recruiting industry to move into the county. The recruitment is specifically aimed at the Bedford-Saxton corridor. The lack of suitable sites with adequate water and sewer facilities is the single factor hindering new industrial development.

The County Industrial Development Authority is currently developing the Bowman Industrial Park in Bedford Borough. In addition, industrial parks are being considered in Broad Top, Hyndman, and Assna.

Agriculture and tourism are currently the foundations of the county's economic base. Thirteen percent of the county's land is either state or federally owned, making it a haven for hunting, fishing, and other outdoor sports. The influx of summer and winter sportsmen in the area has brought an influx of dollars into the county. This is particularly true in the northern part of Bedford County surrounding Raystown Lake. Redevelopment Authority and Planning Commission efforts for historical identification preservation, and developments such as old Bedford Village represent a major step on the part of local leaders to maximize the potential of existing resources in the support of employment improvements.

Community Facilities

The Southern Alleghenies Regional Planning and Development Commission has identified the following areas in need of improved sewer and/or water facilities:

General

LOCATION	PROJECT	ESTIMATED COST
1. Hyndman Borough	Medical Center	To be determined
2. Everett Area	Senior Citizen Center	To be determined
3. Saxton	Community Pool	To be determined
4. Colerain Township	Recreation Park	To be determined

Water

LOCATION	PROJECT	ESTIMATED COST
1. Schellsburg Borough	Water Project	$ 800,000
2. Bedford Township	Water Project	$1,000,000
3. Hyndman	Water Project	To be determined

Sewage

LOCATION	PROJECT	ESTIMATED COST
1. Broad Top Township–Coaldale and Hopewell	Sewage Treatment Plant and Collection Lines	To be determined
2. Hopewell Borough	Sanitary Sewage Collection and Treatment System	$1,000,000
3. East Saint Clair Township	Waste Water Collection and Treatment System	$2,000,000
4. Everett Borough	Sewage Collection and Treatment	$2,000,000

Blair County

Housing

Housing Conditions

A. Age of housing stock: sixty-five percent built prior to 1939
B. Structural condition: twenty-four percent substandard
C. Tenure: seventy percent owner-occupied and thirty percent renter-occupied
D. Elderly population: thirteen percent aged sixty-five years or older
E. Vacancy rate: less than one percent for all year round housing (excluding seasonal units)
F. Median Family Income: $8,211 (1970)

Housing Needs

A. The county's comprehensive planning documents target growth in Blair along the corridor of U.S. Route 220 from Tyrone in the north to the Claysburg-Sproul area in the south. The greatest demand for new construction will be in these areas which surround Altoona.

B. Rehabilitation is needed throughout the county to preserve the existing housing stock, from deterioration due to age.

C. There is a substantial need for housing units for the elderly. Thirteen percent of the population is aged sixty-five or over. Many live in substandard housing units and may require rental units as replacements for their existing homes.

Targeting for FmHA Funding

A. Section 502 new construction loans should be targeted primarily in the corridor from Tyrone to Claysburg, the growth area within the county. Limited new construction is needed in other parts of the county to meet replacement needs for units that are demolished or destroyed.

B. Section 502 rehabilitation loans should be made available in all sections of the county. Particular attention should be paid to the Claysburgh-Ski Gap area which represents the county's largest pocket of poverty and substandard housing.

C. Section 515 multi-family units, especially those for the elderly, are needed throughout the county.

Economic Development

1. The job market in Blair County is structured as follows:

Manufacturing	Retail	Service
20%	18%	60%

2. Unemployment Rate - December 1978 – 8%
December 1977 – 8%

3. Emphasis should be placed on W. WARD Industrial Park Greenfield Township near Claysburg close to Bedford County's northern boundary. New industry needs to be attracted to this totally infrastructured site.

4. The number one county priority is the completion of the twelve-year highway construction program. The completion of Routes 22 and 220 through the county is thought to be essential to industrial development which is totally aligned to transportation networks.

Community Facilities

The following projects indicate areas of well defined needs. Both the County Planning Commission and the regional commission recognize these areas of needs. Since no segregated, rural needs criteria have been developed, the county commission has not attempted to rank the projects. After considering location, size, and case histories, the following list has been developed:

Sewage

LOCATION	PROJECT	ESTIMATED COST
1. Northern Blair County Regional Sewer Authority	Regional Sewage Collection and Treatment Interceptor and Collection System	$10,847,000

LOCATION		PROJECT	ESTIMATED COST
	a. Tyrone Borough Antis and Snyder Townships		
	b. Bellwood Borough	Sewage Collection and interceptor to be tied to the NBRSA system	$ 1,400,000
2.	Allegheny Township	Planning and Design Sewage Collection and Treatment	$ 25,350
3.	Newry Area	Sewage Collection and Treatment Plant	To be determined
4.	Central Blair	Sewage Collection and Treatment	To be determined
5.	Oak Ridge Authority of Snyder Township	Sewage Collection System	$ 2,160,000
6.	Martinsburg Borough	Sewage Collection and Treatment	$ 1,450,000
7.	Frankstown Township	Facilities Planning (Brush Run)	$ 25,200
8.	Freedom Township	Collection and Plant	$ 193,900
9.	Blair Township	Wastewater Treatment and Facilities Planning	$ 10,000

Water and Storm Sewer

LOCATION		PROJECT	ESTIMATED COST
1.	Oak Ridge Authority of Snyder Township	Bred Eagle Water Project	$ 270,000
2.	Bellwood Borough	Water Supply Improvements	$ 460,000
3.	Curryville Water Authority	Construction of Water Supply System	$ 235,000
4.	Borough of Tyrone	a. Rehabilitation of reservoir #2.	$1,575,000
		b. Renovation of Water Supply to reservoir #2.	$3,000,000
5.	Newry Borough	Storm Sewer	$ 72,000
6.	Blair Township	Municipal Water System	Undetermined

Cambria County

Housing

Housing Conditions

A. Age of housing stock: seventy percent built prior to 1939

B. Structural condition: twenty percent substandard. In the Prince Gallitzen area, thrity percent are substandard. In the urban Johnstown area, only eleven percent are termed substandard

C. Tenure: eighty percent owner-occupied and twenty percent renter-occupied. In Johnstown, sixty-three percent are owner-occupied and thirty-seven percent renter-occupied.

D. Elderly population: 6.3 percent aged sixty-five years or older

E. Vacancy rate: 3.7 percent for all year-round housing (excluding seasonal units)

F. Median Family Income: $8,100 (1970)

Housing Needs

A. The comprehensive plan targets growth in northwest Cambria County as a result of the revitalization of the coal industry and in the Ebensburg (county seat) area. The greatest demand for new construction will be in these two area, although limited growth is projected around Mount Aloysius College in Cresson and in the Johnstown region. Vacation homes will increase as a result of Prince Gallitzen State Park in the northeast part of the county.

B. Rehabilitation is needed in all parts of the county to preserve the existing stock, which is beginning to deteriorate from age.

C. The County Planning Commission projects low income housing needs as follows:

47 units	Northern Cambria Region
40 units	Prince Gallitzen Region
48 units	Central Cambria Region
43 units	Penn Cambria Region
40 units	Forest Hills Region
162 units	Johnstown

Targeting for FmHA Funds

A. Section 502 new construction loans should be targeted primarily in the Ebensburg area, where growth has been steady.

Economic Development

In Cambria County the coal mining and steel industries remain the backbone of the economy. The present demand for coal from Cambria County has increased as a result of the demand for high grade metallurigical coal. Cambria County has attempted to capitalize upon the restabilization of its coal industry as a major building block in its economy, but with the understanding that the coal industry in and of itself cannot provide for the economic well being of the 100,000 person labor force in the Cambria/Somerset area.

Steel also is an important part of the economy. During the aftermath of the Johnstown flood, the Bethlehem Steel Corporation announced its decision to curtail all basic steel manufacturing in Johnstown. The first of two major decisions made in August, 1977, was to reduce the Bethlehem work force by 4,000 jobs. The second and final decision in terms of a second cutback of 4,000 jobs is expected in 1979. If it is Bethlehem's decision to furlough the remaining steel-making workforce, Bethlehem would then reduce its operation to one of fabrication from steel leaving only approximately 6,000 jobs from an original 14,000. This translates to well over half the steel workforce on June, 1977 being unemployed.

Without question, the economic base of the Johnstown SMSA must be diversified. Existing industries must be aided in their expansion efforts, and industrial development efforts should be intensified. Study efforts are in design and proposal state for the five industrial park sites now existing along Appalachian corridor "N" (RT 219) between Somerset and Johnstown.

The Johnstown central business district, despite the flood, can remain viable as a business/commercial center. The Local Development Corporation, Johnstown Area Regional Industries, has committed itself toward aiding in the continued development of the Johnstown area economy. Recovery efforts to date include:

1. The Quemahoning Industrial Park - the region's only rail-served site which can support heavy manufacturing.
2. Preparation of the Cambria County Industrial Park in Ebensburg.
3. UDAG Program in Johnstown.
4. $50 million bond issue from the Pennsylvania Department of Community Affairs to assist housing and redevelopment authorities restore the housing supply devastated by the 1977 flood.

Community Facilities

The following is a listing of sewer and water projects identified by the County Planning Commission for priority funding:

A. Region 1 - Northern Cambria - this is a coal mining area with high potential for industrial growth

1. Water Facilities - Carrolltown
2. Sewer Facilities - Bornsboro, Carrolltown, Hastings and Spangler

B. Region 2 - Prince Gallitzen - least populated region–little potential for Industrial Development–recreational development intense due to Prince Gallitzin State Park
   1. Water Facilities - Glasgow and Hallertown Regional System; Beaver Valley and Flinton Regional System; improvements to Fallentimber system; and Ashville
   2. Sewer Facilities - improvement to Patton and Loretto Boroughs

C. Region 3 - Central Cambria - projected growth is in Ebensburg Borough and Jackson Township
   1. Water Facilities - Blacklick Township, Twin Rocks, Nanty Glo Regional System; improvements to Ebensburg and Colver plant; Vintondale plant; and Mundys Corner to Vinco
   2. Sewer Facilities - Ebensburg - modifications and improvements to system collection and treatment is required in Cambria Township including: Villages of Milo Park, Revloc, Colver, Jackson, and East Taylor Township. Treatment plant services: Mundys Corner through Vinco

D. Region 4 - Penn Cambria - a small densely populated region from Cresson Borough to Portage Borough - potential for moderate industrial development
   1. Water Facilities - Highland Sewer and Water Authority is an excellent source of reserve water supply for the entire region; improvements to the Portage Borough and Cresson Township systems will improve service
   2. Sewer Facilities - Lilly Borough and Cresson Borough Regional Systems

E. Region 5 - Forest Hills - declining population with little prospect for any significant development
   1. Water Facilities - Highland Water and Sewer Authority should have ample supply of water for 20 years; minor extensions of existing system to serve small population concentrations
   2. Sewer Facilities - Forest Hills municipal authority construction of treatment plants at South Fork Borough, St. Michael's, Salix, Dunlo and Mine #42 Village. Because of the tremendous problems from raw sewage outfalls into the Little Connemaugh River, *These projects demand a high county-level priority.*

F. Region 6 - Johnstown - densely populated, urbanized area. The Central City is losing population. The surrounding townships are growing, attracting new industry, commerce and residents. Most of this area is *not eligible* for FmHA project funding.
   1. Water Facilities - with minor exceptions the region is being satisfactorily served by a public water supply system. Additional transmission lines and storage facilities will be installed in growth areas as need arises.
   2. Sewer Facilities - The rapid development surrounding the City of Johnstown has caused a great number of sewage problems. Sewers and interceptors will be constructed to connect all the surrounding population centers with the City of Johnstown Treatment Plant. The City plant will be upgraded to handle the additional sewage.

Fulton County

Housing

Housing Conditions

A. Age of housing stock: forty-nine percent built prior to 1939
B. Structural condition: Approximately twenty percent substandard
C. Tenure: Sixty-eight percent owner-occupied, thirty-two percent renter-occupied
D. Elderly population: Thirteen percent of the population aged sixty-five years or older
E. Vacancy rate: One percent for all year-round housing (excluding seasonal units)
F. Median Family Income: $8,100 (1970)

Housing Needs

A. While Fulton County has a relatively small population (11,758; 1978 Census Bureau estimate) it is experiencing growth anticipated to exceed 9% by 1980. It has primarily an agricultural base; most of which relates to apple and dairy farms. New construction is not a priority in the county, except to meet demand resulting from demolished units.

B. Rehabilitation is needed in all parts of the county to preserve the existing housing stock, which is beginning to deteriorate from age. Particular need for repair and replacement is in Todd and Thompson Townships.

C. The County Planning Commission anticipates low and moderate income housing needs in the McConnellsburg and Warfordsburg area, particularly.

Targeting of FmHA Housing Funds

A. Section 502 new construction loans will be less significant than in the other counties of the region. What demand there is for new construction will be caused by the need for replacement structures. There is a strong felt-need for new construction in Todd and Thompson Townships, to a lesser extent, within McConnellsburg Borough.

B. Section 502 rehabilitation loans are needed throughout the county. Todd and Thompson Townships as well as the communities of Bethel, Belfast, and Dublin have the greatest rehabilitation needs.

C. Section 515 multi-family units should be targeted to the McConnellsburg and Warfordsburg area. Elderly units are needed throughout the county.

Economic Development

Fulton County has been relatively successful in maintaining an unemployment level below the other counties in the region. New industrial and commercial development is being sought primarily in the McConnellsburg and Warfordsburg community areas. Essentially the local elected leaders seek to maintain a firm agricultural base to the county and conversely seek only limited industrial development. There is an acute need for basic employment opportunities for the minority populations living near McConnellsburg. Specifically needed are jobs that can offer training and long term employment opportunities with growth and advancement potential.

1. Capital Improvements Planned
   a. Ten acre Industrial Park Site Acquisition and Development West of the Borough of McConnellsburg.
   b. Industrial Park Site Development Warfordsburg - 500,000.

Community Facilities

The Southern Alleghenies Regional Planning and Development Commission has identified the following priorities for sewer and water facilities:

Water

LOCATION	PROJECT	ESTIMATED COST
1. "Ridge Community" Todd & Thompson Townships	Water Source & Distribution Lines for the "Ridge" Community Area	$350,000
2. McConnellsburg	Connection Lines (mains) from "Ridge System" to Borough System	$150,000

Sewage

LOCATION	PROJECT	ESTIMATED COST
1. "Ridge" Todd Township	Sewage Collection (including site preparation) (street improvements)	$420,000
2. Hustontown	Sewage Collection and Treatment	To be determined

Huntingdon County

Housing

Housing Conditions*

A. Age of housing stock: Sixty percent built prior to 1939. Ninety percent built before 1965
B. Structural condition: Twenty percent heavily deteriorated, twenty percent substandard
C. Tenure: Seventy percent owner-occupied and thirty percent renter-occupied
D. Elderly population: Fifteen percent of the population aged sixty years or older
E. Vacancy rate: One percent for all year-round housing (excluding seasonal units)
F. Median Family Income: $8,100

Housing Needs

A. The comprehensive plan targets growth around existing population centers: Huntingdon, Mount Union, Petersburg, Alexandria and Marklesburg. The Raystown Dam is significantly influencing growth in the Huntingdon-Marklesburg corridor. It is in these communities that new construction is anticipated. The majority of these units will be needed for low to moderate income families moving into the area for service-oriented jobs derived from the Raystown Dam. The county's low vacancy rate precludes utilizing existing units.
B. Rehabilitation is needed in all parts of the county to preserve the existing housing stock, which is beginning to deteriorate from age.
C. The County Housing Authority projects low-moderate income housing needs as follows:

50 units	Broad Top City
200 units	Huntingdon Borough
100 units	Mt. Union Borough
50 units	Alexandria/Petersburg Area
400 units	

Community Facilities

The Southern Alleghenies **Regional** Planning and Development Commission has identified the following priorities for sewer and water facilities:

Water

LOCATION	PROJECT	ESTIMATED COST
1. Alexandria Borough	Water System	$ 900,000
2. Orbisonia/Rockhill	Water System	$ 840,000
3. Petersburg Area	Water System	To be determined
4. Broad Top City	Water System	$ 400,000
5. Dudley Borough	Water System	To be determined
6. Mt. Union Borough	Water System	To be determined

**All data taken from first count 1970 census data*

Sewage

LOCATION	PROJECT	ESTIMATED COST
1. Petersburgh Borough	Sewage Collection	$1,030,000
2. Saltillo-Three Springs Borough	Sewage Collection and Treatment	$ 950,000
3. Wood Township	Sewage Collection and Treatment	$1,363,000
4. Huntingdon Borough Smithfield, Onieda, and Walker Townships	Sewage Collection and Treatment	$2,720,000
5. Mt. Union Borough Shirley and Wayne Townships	Sewage Collection and Treatment	$4,250,000
6. Marklesburg Borough Penn and Lincoln Townships	Sewage Collection	$1,359,000

General

LOCATION	PROJECT	ESTIMATED COST
1. Huntingdon County	Human Services Center	$1,700,000
2. Huntingdon County	Regional Juvenile Detention Center	$ 586,000
3. Huntingdon Borough	County Jail	$1,100,000
4. Huntingdon County	Multi-Services Center	$2,000,000

Economic Development

1. Capital Projects Planned
    a. Huntingdon Industrial Park Site Development
    b. Mount Union Industrial Park Site Development
2. Labor force:

Manufacturing Jobs	Non-Manufacturing Jobs
12,700 (4,800 skilled) (7,900 unskilled)	8,600

3. Unemployment rate: Ten percent
4. Farming/agricultural activity: Eighty percent dairy
5. Industrial growth is concentrated in Huntingdon, Mt. Union, Alexandria/Petersburg

Targeting for FmHA Funds

1. Preserve prime agricultural lands, especially class 1, 2, 3 soils. The county has encouraged the use of the Clean and Green tax relief legislation to protect prime agricultural land from developmental pressures. Business and industrial projects should be discouraged from development on prime agricultural lands.
2. The majority of the labor force is unskilled. Labor-intensive industries should consider providing training for the existing labor market in related skills.
3. The high unemployment rate is indicative of the need for industrial expansion into Huntingdon County. The county industrial authority has assisted several businesses and industries with tax free loans for construction and expension through the State Revenue Bond and Mortgage Program.

Somerset County

Housing

Housing Conditions

A. Age of housing stock: Sixty-five percent built prior to 1939; ninety percent built before 1960
B. Structural condition: Sixteen percent substandard, of which five percent are heavily deteriorated
C. Tenure: Seventy-five percent owner-occupied and twenty-five percent renter-occupied
D. Elderly population: Eleven percent
E. Vacancy rate: One percent for all year-round units (excluding seasonal units)
F. Median Family Income: $8,100

Housing Needs

A. There is little growth projected for Somerset County, except in the county seat of Somerset Borough.
B. Current needs in the county are primarily for housing for the elderly and for lower income families. Indicative of the need is that the county housing authority always has several hundred applicants on the waiting lists for the available elderly housing units. Forty-eight new Section 8 units are under construction in Somerset Borough, with a need for at least 84 additional units in the next year.
C. Rehabilitation of existing units are needed throughout the County.

Targeting for FmHA Funds

A. Section 502 new construction loans are needed to replace the five percent of the housing stock beyond repair. Since growth continues to be negligible in the county, there is little demand for new housing except for replacement purposes.
B. Section 502 rehabilitation loans are needed virtually everywhere in the county.
C. Section 515 multi-family projects will play a major role in providing housing for the elderly and for lower income families. Somerset County has an active Redevelopment Authority to support Section 515 projects.

Economic Development

1. Capital Improvements
    a. Continued development of Quemahoning Industrial Site Cost to be determined.
    b. Somerset Borough Industrial Park Development Cost to be determined.
    c. Berlin Industrial Access Road Cost = $652,000.
2. Labor Force:
    twenty-five percent - skilled
    thirty-five percent - semi-skilled
    forty percent - unskilled
3. Unemployment Rate: Five percent
4. Farming/Agricultural Activity: dairy, timber
5. Industrial growth is concentrated in northern Somerset County, as a spin-off from Johnstown industrial growth. Currently a major industrial park is under construction along the Quemahoning Creek. The principal tenant in the park, Abex Corporation, will employ 500 people. These are not "new jobs" for the region, however, since most of the people will come from the Bethlehem Steel Plant in Johnstown which has laid off thousands of workers since the 1977 flood.

Targeting for FmHA Funds

1. Spin-off business and industry is anticipated from the Quemahoning Industrial Park. This area has a sufficient available labor supply, limited infrastructure, and is topographically suited for development.
2. The completion of Route 219 south to Maryland will result in new business and industrial development at major highway intersections.
3. While industrial growth is necessary to close the unemployment gap, care must be taken to assure that adequate sewage treatment is available to the Quemahoning Industrial Tract. The Quemahoning Reservior serves most of north-central Somerset County. Industrial waste could pollute the water supply. The problem is further intensified by mining activity in this area which disrupts entire natural water systems. Secondarily, the upper Quemahoning watershed is a valuable recreational (biking, hunting, and fishing) resource.

Community Facilities

The Southern Alleghenies Regional Planning and Development Commission has identified the following areas in need of improved sewer and/or water facilities:

Water

LOCATION	PROJECT	ESTIMATED COST
1. New Centerville Borough	Concrete Water Storage Reservoir Renovation	$ 8,000
2. Addison Borough	Water Distribution System	$ 220,000
3. Somerset Borough	Water Impoundment	$ 950,000
4. Conemaugh Township	Reservior and Distribution System Improvements	$ 265,000
5. Jenner Township	Water Supply and Distribution System	Yet to be determined
6. Central City and Shade Township	Water System Improvement	$ 371,000
7. Somerset Borough	Distribution System Extension and Upgrading	$ 238,000
8. Benson Borough	Water Treatment and Distribution System	Yet to be determined
9. Lincoln Township	Water Supply and Distribution System	Yet to be determined
10. Hooversville Borough	Water Supply and Treatment/ Renovation of Existing System	$ 425,000
11. Windber Borough	Pump Station/Storage and Distribution System	$ 250,000

Sewage

LOCATION	PROJECT	ESTIMATED COST
1. Jefferson Township	Sewage Collection and Treatment	$2,548,000
2. Indian Lake and Shanksville Boroughs–Stoneycreek Township	Sewage Collection and Treatment	$6,732,000
3. Somerset Township	Phase II Sewage Collection Treatment	To be determined
4. Somerset Borough	Sewage Collection and Treatment Improvements	$ 917,000
5. Ogle Township	Sewage Collection	$1,100,000
6. Conemaugh Township	Sewage Collection and Treatment	$4,516,000

LOCATION	PROJECT	ESTIMATED COST
7. Windber Borough	Sewage Collection System Extension	$2,510,000
8. Somerset Borough	Grit Removal unit in sewage Collection System	$ 352,000
9. New Centerville Borough	Sewage Collection and Treatment	$ 636,000
10. Somerset Borough, Somerset Township	Sewage Collection and Treatment	To be determined
11. Central City	Storm Sewer System	$ 218,000
12. Garrett Borough	Storm Drainage	$ 18,000
13. Summit Township	Sewage Collection	To be determined
14. Conemaugh Township	Sewage Collection	$4,516,000
15. Salisbury Borough	Sewage Collection	$1,177,000
16. Rockwood Borough	Sewage Systems Improvements	$ 268,000

General

LOCATION	PROJECT	ESTIMATED COST
1. Confluence Borough	Primary Health Care Center	To be determined
2. Somerset Borough	Commerce Center Phase I and II	$1,300,000
3. Garrett Borough	Community Building	$ 35,000
4. Shanksville Borough	Shanksville Stoney Creek Community Building	$ 225,000

Bedford and Huntingdon Counties
Lake Raystown Area Development Opportunity

Description

The Lake Raystown Area Development Opportunity encompasses portions of two (2) Counties–Bedford and Huntingdon. This Development Opportunity is a result of the recent expenditure of approximately $100 million by the U.S. Army Corps of Engineers in the construction of Lake Raystown and its subsidiary recreational areas. The recent expenditure of this magnitude provides an outstanding Development Opportunity for this area of the Southern Alleghenies Region. Potential exists for substantial expansion of the tourist industry and the related creation of housing, commercial, and industrial growth. This potential exists within an area which has experienced little growth and development over the last four decades.

Impact Area

The area of primary impact of the Lake Raystown Area Development Opportunity is the corridor extending from the Borough of Huntingdon in the north along Pennsylvania Route 26 to Everett and Breezewood, and the Appalachian Corridor extending from the Borough of Huntingdon along U.S. Route 22 east to the Borough of Mount Union. There are two (2) major components in the area of primary impact: The Huntingdon/Mount Union Intensified Impact Area and the Everett Area.

Impact Assessment

The major benefits of this Development Opportunity include: the creation of new multi-use development centers, resorts, and expansion of the tourist industry. This will result in an increase in the number of employed, higher personal incomes, and an increased tax base. Housing opportunities, greater variety of recreational opportunities, a reversal of the out-migration trend, and an influx of new residents to the areas should be major results of the anticipated development of this corridor.

Component Project and Program Identification

The projects and programs within the Huntingdon Area include: new multi-use development centers (housing, commercial, and industrial) at strategic locations along a number of corridors identified in the recently published Raystown Impact Area Study, Phase II, Development Planning. The rate of these centers depends heavily upon the improvement to development of the highway and road system in the impacted portions of Huntingdon and Bedford Counties. These include: U.S. Route 22 and Pennsylvania Route 26. Concurrently with the highway and road improvements, improvements must be made to the supporting infrastructure including water, sewer, and utilities.

Within the Mount Union area, the projects and programs include the acquisition and development of a new industrial park and construction of new shell building(s). To provide for the new industrial park, water and sewer system improvements plus the installation of other supporting infrastructure is necessary. Complementing the industrial development activities are a proposed new medical center, community improvement projects, and publicly assisted housing.

The projects and programs of the Everett Area include the U.S. Route 30 By-Pass of Everett and the new industrial park, both of which are now underway, in addition to improvements to Pennsylvania Route 26. In 1976, the U.S. Congress, recognizing the impact of Everett of the Lake Raystown Project, appropriated the funds for the U.S. Route 30 By-Pass of Everett. Complementing these investments are new publicly assisted housing projects and housing rehabilitation.

Obstacles to Short Run and Long Range Implementation

A long-range obstacle to the accelerated advancement of this Development Opportunity is the lack of adequate funding for implementation of U.S. Route 22 and Pennsylvania Route 26.

Another immediate obstacle is securing adequate funding for the supporting infrastructure needed for the creation of the new development concentrations. In many cases, the existing municipalities do not have large enough population to rank sufficiently high in the EPA/DER rating system. This severely hampers the funding of sewage projects.

Blair County
Altoona (SMSA) Industrial Corridor Development Opportunity

Description

The Altoona Corridor Development Opportunity encompasses the urbanized area of Blair County plus the developing area along the Appalachian Corridor of U.S. Route 220 from Tyrone in the north to the Claysburg–Sproul area in the south. This Development Opportunity results from the recent and ongoing expenditure of approximately $60 million of public funds within the Altoona Central Business District and associated Urban Renewal and Community Development projects. Additionally, this Development Opportunity can capitalize upon the expenditure of approximately $45 million dollars of public funds in the Tyrone area. The Tyrone Multi-Agency Metropolitan Development Project consists of three (3) major components: "Regional" Sewage Treatment, U.S. Route 220 By-Pass and relocation (reconstruction) of Pennsylvania Route 350, and the Tyrone Flood Control Project. The expenditure of resources of this magnitude, coupled with proposed Community Development and Economic Development projects and programs provides an outstanding development opportunity for this portion of the Southern Alleghenies Region. Potential exists for continued public-assisted Community Development activities in conjunction with industrial and commercial investments.

Impact Area

The Primary Impact of the Altoona Corridor Development Opportunity centers on Appalachian Corridor "N", U.S. Route 220. Secondary benefits will be realized throughout the central part of the Southern Alleghenies Region.

Impact Assessment

The major benefits of this Development Opportunity are the revitalization of the Altoona Central Business District and the continued diversification of the area's economic base. The success of this diversification is heavily dependent upon completion of a number of projects and programs. Primarily, these include the two major Appalachian Corridors through the area - U.S. Route 220 and U.S. Route 22. Complementing these transportation projects, improvement must be made to the supporting infrastructure of water service, sewage collection and treatment, and local road systems to most effectively address the aforementioned problems of the area and to stimulate private sector investments in both commercial and industrial development.

Component Project and Program Identification

The Altoona SMSA Industrial Corridor Development Opportunity is comprised of the following activities: urban renewal projects in conjunction with private sector investments, new publicly assisted housing projects coupled with housing rehabilitation programs, improvement to the highway network (arterial and local), water system improvements, sanitary and storm sewer improvements, community centers, new town-in-town developments, a downtown crossover including a transportation terminal, and other transportation improvements.

Within the Tyrone area, projects and programs include completion of the Tyrone Multi-Agency Metropolitan Development Project (including "Regional" Sewage Collection and Treatment, flood control, and highway relocation and reconstruction), water system improvements, sewer system improvements, new publicly assisted housing projects, and industrial park expansion with supporting access roads.

Cambria County
Johnstown Flood/Economic Recovery Development Opportunity

Description

The Johnstown Flood/Economic Recovery Development Opportunity encompasses essentially the urbanized area of Cambria and Somerset Counties plus other developing areas along the Appalachian Corridor of U.S. Route 219 from Ebensburg in the north to Somerset in the south. This Development Opportunity emanates from the extensive losses incurred within the Johnstown area as a result of the July 20, 1977 flood. These losses have been estimated in excess of $200 million. Many public and private investments which have been made in the past were either totally or partially destroyed in the flood disaster.

Compounding the substantial adverse effects of the flood disaster have been the reduction-in-force by nearly 5,000 in the steel industry–the major employer within the Johnstown area. In view of the foregoing, the major thrust of this Development Opportunity should be the revitalization of the flood-impacted area.

Impact Area

The Primary Impact Area of the Johnstown Flood/Economic Recovery Development Opportunity is the developed and developing area along Appalachian Corridor (U.S. Route 219). Secondary benefits will be realized in the remainder of this western-most section of the Southern Alleghenies Region.

Impact Assessment

The major benefits of this Development Opportunity include the revitalization of those community facilities destroyed in the flood disaster including the Johnstown Central Business District. Associated with the revitalization of this commercial center will be the continued diversification of the area economic base. The success of this diversification effort is heavily dependent upon a number of projects and programs. Among these are the completion of the two (2) major Appalachian Corridors through the area, U.S. Route 219, and U.S. Route 22. Complementing these transportation projects, improvements must be made to the supporting infrastructures of water service, sewage collection and treatment, and local road systems to most effectively address the problems of the area and to stimulate private sector investments in both commercial and industrial development.

Component Project and Program Identification

The Johnstown Flood/Economic Recovery Development Opportunity is comprised of four (4) major activities to include: the Johnstown City CBD Development. Industrial Diversification, Mining, and "Social Overhead Capital" (Housing and Flood Mitigation).

The component activities of the Johnstown City CBD Development are: urban renewal, private sector development, new publicly assisted housing projects, housing rehabilitation, highway and street improvements, water system improvements, sanitary and storm sewer system improvements, public safety building improvements, hospital improvements, stadium improvements, drainage and water channelization improvements.

The programs included under the term "Industrial Diversification" are: industrial park expansion, coal gasification plant development, access roads, construction, water distribution system improvements, sewage collection and treatment improvements, rail spur construction, and interchange redesign and reconstruction of U.S. Route 219.

Projects and programs relating to Mining include the establishment of Mining Training School, construction of coal haul roads, and generally upgrading and revitalizing the coal industry.

Those activities which are included under the term "Social Overhead Capital" include housing rehabilitation, new publicly assisted housing, and private sector housing, and a storm water management plan.

Obstacles to Implementation

The lack of adequate and timely funding to successfully advance the overall Economic Recovery effort remains as a critical issue. Additionally, an obstacle to the advancement of this Development Opportunity is the lack of progress in the constructio of U.S. Route 219 and U.S. Route 22. Without a regional highway system, it will be difficult to solve the identified problems of the area on a timely basis. Supporting infrastructure is needed within the expanding areas of the Development Opportunity for diversified industrial growth. Without water and sewer service, areas with high potential for commercial and industrial development cannot be utilized at the present time.

APPENDIX B

RURAL DEVELOPMENT ACTIVITIES FY '79:
AN ENUMERATION

A. Increase Awareness of FmHA Programs

To promote an awareness and stimulate interest in FmHA Housing, Community Facilities and Business and Industry Programs, DCA Section 111 staff formulated and delivered a formal presentation, (see Appendices D and E), on those programs to the following groups:

1. FmHA State Director, Program Chiefs and District Directors - to elicit constructive criticism prior to dissemination to the general public.
2. Pennsylvania Department of Environmental Resources (DER), Bureau of Water Quality, Williamsport Regional Office staff - emphasis was directed to developing a better understanding of the FmHA Community Facility Program as it might interact with U.S. Environmental Protection Agency (EPA) funding for sewage treatment projects managed through DER.
3. Southern Alleghenies Regional Planning and Development Commission, Inc., (SARPDC), Housing and Planning Advisory subcommittees - SARPDC is the designated regional A-95 review agency as well as the Local Development District (LDD) for Appalachian Regional Commission funding and the Economic Development District for Coordination of Economic Development Administration (EDA) Programs.
4. The Pennsylvania Association of Redevelopment and Housing Authorities (PARHA) annual meeting.
5. Cambria County Rural Development Committee.
6. Somerset County Rural Development Committee.
7. Huntingdon/Blair Counties Rural Development Committee.
8. Cambria County Community Action Agency, Housing Subcommittee and Rural Outreach staff.
9. Somerset County, Tablelands, Inc. Community Action Agency, Rural Outreach staff.
10. Huntingdon County - Council of Governments (COG).
11. Bedford County - meeting of County Planning Commission, Housing Authority and interested citizens.
12. Cambria County - non-profit housing corporation.

13. Blair County Community Action Agency, Rural Outreach staff.

14. Fulton County Housing Authority.

B. Establish Outreach Centers to Package FmHA Housing Applications. "Mechanisms for Implementation of the Rural Development Process."

After a few weeks into the Section 111 Project, the DCA staff recognized the unquestionable shortfall in the number of FmHA staff to address the rural development needs in Pennsylvania. It was apparent that augmentation of that staff from outside FmHA would be necessary to compliment and support the Section 111 effort aimed at promoting awareness and utilization of FmHA programs. Upon identifying the agencies in each county which were receptive to taking on the task of packaging FmHA applications, the following steps were taken:

1. Developed a job description for the "Rural Housing Aides" to be hired under CETA. (See Appendix F.)

2. Presented a proposal to the Southern Alleghenies Planning and Development Commission, Inc. and Tablelands, Inc., the two "prime sponsors" for CETA in the region, for allocation of CETA funds to hire the outreach staff. (See Appendix G.)

3. Facilitated the establishment and staffing of two FmHA rural housing outreach groups.

    a. Somerset County - with the support and cooperation of the Somerset FmHA County Supervisor and Tablelands, Inc. Community Action Agency provided CETA funding for two "Rural Housing Aides" and one clerical staff person along with appropriate office space and supplies. One aide was hired in July, 1979 and works out of the Somerset County FmHA Office and the Tablelands, Inc. rural outreach centers to promote and package FmHA housing applications. A monthly reporting system was established so that all outreach contacts could be tracked by date, locality, type and application disposition. (See Appendix H.)

    b. Fulton County - with the support and cooperation of the Fulton County Housing Authority and the Southern Alleghenies Regional Planning and Development Commission, Inc., provided funding for three Rural Housing Aides along with appropriate office space and supplies. These housing aides will work out of the Housing Authority Office to promote and package FmHA housing applications. The same reporting system will be used. (See Appendix I.)

4. Worked to generate interest and gain a commitment from four additional agencies to bring on staff through CETA funding to do FmHA Rural Housing Outreach when FY '80 CETA funds become available.

   a. Bedford County Housing Authority

   b. Cambria County Community Action Agency, Inc.

   c. Homes of Huntingdon, Inc.

   d. Blair County Community Action Agency, Inc.

5. One outreach staff person was hired by the Cambria County Office on Aging under CETA to promote and package FmHA housing applications primarily for senior citizens. DCA Section 111 staff provided training and technical assistance. The DCA established reporting/tracking system for outreach contacts and FmHA applications was also used by this agency. (See Appendix J.)

6. Conducted in-depth training and technical assistance in FmHA programs for all newly hired Rural Housing Aides. The FmHA District Director and FmHA County Office staffs provided follow-up training regarding details of application procedure.

C. Coordination of FmHA Programs with other federal, state, regional and local agencies to more efficiently affect the implementation of the Rural Development Process as conceived by the U.S. Department of Agriculture.

DCA Section 111 staff set up and participated in meetings, seminars and workshops with various key public and private sector organizations and agencies to explain FmHA programs and to exchange information regarding the interaction of other funding programs which affect the Rural Development Policy making process.

1. U.S. Department of Housing and Urban Development, (HUD) - Pittsburgh Regional Office -- Community Development Block Grants (CDBG)/Small Cities Program, Urban Development Assistance Grants (UDAG) and HUD Housing programs were reviewed relative to their interaction with FmHA Community Facilities, Housing, and Business and Industry Programs. HUD philosophy regarding Section 8 new construction allocations to FmHA was discussed at length.

2. U.S. Environmental Protection Agency (EPA) - participated in a three-day workshop regarding preparation of a "Facilities Plan for Wastewater Treatment", with emphasis on consideration of cost-effective innovative and alternate technology. This shift in emphasis from conventional treatment facilities has opened new vistas for small rural communities which are faced with solving wastewater treatment problems with minimal outside financial assistance. It also places an increased demand on FmHA Community Facilities loan funds when communities must borrow a greater share of project costs.

3. Federal Regional Council (FRC), Region III, Philadelphia - met with FRC staff to ascertain possible FRC involvement in facilitating a multi-agency funded project. They were anxious to be of assistance on a project-specific basis.

4. Pennsylvania Department of Commerce

    a. Bureau of Economic Assistance - to discuss the interaction of FmHA with Community Facilities and Industrial Site Development Grant Programs.

    b. Pennsylvania Industrial Development Authority (PIDA) and Revenue Bond and Mortgage Program (RBMP) to increase familiarity with financing for Industrial Development Projects.

    c. Bureau of Appalachian Development - to study the possible application of ARC funds to projects funded with FmHA Community Facilities and Business and Industry Programs.

5. Pennsylvania Department of Community Affairs (DCA)

    a. Bureau of Housing and Development - to become more familiar with the application of Appalachian Regional Commission (ARC) housing programs in funding housing outreach staff and site development.

    b. Bureau of Community Energy - to coordinate the weatherization program with FmHA housing rehabilitation programs.

    c. Bureau of Human Resources - "Neighborhood Assistance Act (NAA)" Tax Credit Grant Program to provide services to low income individuals -- worked with Homes of Huntingdon, Inc. to integrate a NAA Grant to further lower the cost of FmHA financed self-help housing.

    d. Regional office - to concentrate staff attention of "critical" projects and to assist and provide input to the project review system.

6. Pennsylvania State University Cooperative Extension Office

    a. University Park Research Staff -- met to exchange ideas on various aspects of Rural Development and to elicit their assistance in the area of supportive research.

    b. Title V - Rural Development Specialist

1. Somerset County - the ability of this office to identify problems and issues greatly facilitated the DCA Section 111 effort in Somerset County. The Title V Specialist proved to be the key contact person for all facets of Rural Development in the county.

2. Huntingdon County - the Title V staff person played the lead role in the Homes of Huntingdon, FmHA 523 self-help housing project until the position was vacated and not refilled mid-way through the project year. Because of the efforts of this individual, DCA Section 111 staff was able to assist in moving the project along to implementation.

7. Pennsylvania Farmers Home Administration

a. Section 111 staff attended two statewide workshops to become familiar with individual FmHA employee perspectives regarding problems, priorities and methods of implementing rural development in terms of FmHA programs.

b. Section 111 staff participated in a "Needs Assessment Panel" conducted by the U.S. Bureau of Census for the Farmers Home Administration. The panel was to develop value - laden data regarding rural development needs in Pennsylvania by county and program area. The priorities developed are to be used in targeting FmHA funds.

8. Pennsylvania Rural Development Committee - attended the annual meeting to become familiar with this organization's perspective on priorities for rural development. Farm development seemed to be the paramount issue.

9. "Rural America, Inc." - attended the annual conference in Washington, D.C. to develop a consciousness for the felt needs of a diverse cross section of rural citizenry. They were concerned about a wide range of rural development issues including housing, community facilities, and farming. Transmittal of concerns to lawmakers and appropriate Federal agencies, including FmHA, seemed to be handled effectively.

10. The Southern Alleghenies Regional Planning and Development Commission (SARPDC) - the Planning Advisory Subcommittee (PAC) is made up of the planning directors of each county. Section 111 staff attended monthly meetings to exchange ideas and provide assistance in the rural development planning process. The main topic for discussion during the project period was the SARPDC Section 111 program. It was designed to prepare a regional Areawide Housing Opportunity Plan (AHOP). Methodology for determing housing needs was discussed in detail.

11. Bucks County Planning Commission and Housing Authority - met with these agencies to discuss techniques successfully utilized by these to develop FmHA 515 multi-family housing projects.

12. Hastings Borough (Cambria County) Industrial Development Corporation - met with board to discuss possible involvement of FmHA in an industrial site development and the construction of a housing project.

13. Somerset County and City of Johnstown Redevelopment Authorities - discussed general rural development issues for possible FmHA involvement. The city of Johnstown and surrounding areas are ineligible for FmHA housing programs. However, it was emphasized that FmHA programs could be utilized effectively when renewal area residents are relocated outside FmHA ineligible areas.

14. Jefferson Township (Somerset County) Sewer Authority - participated in a meeting with EPA and DER representatives along with the township supervisors and interested citizens concerning planning for wastewater treatment. FmHA community facilities program as well as all related funding agency programs were explained.

15. Arthurs, LaStrange and Short - investment bankers - met with representatives to examine their possible involvement with interim financing of FmHA community facilities projects.

16. Bankers and Real Estate Brokers - developed and coordinated a regional workshop for bankers and real estate personnel relative to their possible involvement with FmHA housing programs. (See Appendix K)

C. Initiate, Assist and Monitor the Implementation of the Rural Development Process

In several instances due to one or a combination of factors including need, priority, local support, availability of complimentary funding, or lack of local expertise, DCA Section 111 staff was directly involved in the implementation details of the rural development process. Through training and technical assistance, DCA staff sought to provide leadership to community organizations so that specific, much needed rural development initiatives might proceed. Emphasis was placed on "expanding local capacity" to identify and define problems and to select the most desirable solutions. Priority was given to areas that dealt with problems associated with unemployment and general poverty.

In keeping with current policies at the state and federal levels, the following principles were woven into each proposal for rural development:

1. "Community Conservation" dictates that housing rehabilitation be considered before new construction to fulfill housing needs were feasible.

2. "Disinvestment" in rural centers, with resultant resource and energy intensive "suburban sprawl" should be discouraged. The rural development process should not view development of prime agricultural land, with associated investment in massive networks of community facilities, as the "path of least resistance", and therefore, the best solution.

3. The consideration of cost-effective alternate and innovative technologies for wastewater treatment should be promoted and encouraged in rural areas.

The following is a list of the agencies and organizations which the DCA Section 111 staff rendered significant assistance in specific project developments.

1. Homes of Huntingdon County, Inc. - a dormant, self-help housing program which was envisioned to be funded as a FmHA 523 project. After three years of planning by the local board, in the wake of a myriad of coordination problems, it was destined not to succeed. DCA Section 111 staff encouraged the local board to hire CETA staff to satisfy FmHA requirements necessary for the release of the Technical Assistance Grant ($180,000). Additional staff were hired and the construction of the first group of six homes with FmHA 502 subsidized mortgages ($180,000) was begun. Considerable time was expended by Section 111 staff in providing technical analysis and assistance to assure project success. The first group of homes utilized parcels of land in an Urban Renewal Project, in Mount Union Borough. This was done to provide a group of sites in close proximity with city water and sewer available. Because of the parcels being urban renewal land, they were able to be bought at a "discounted" reuse appraised value, thus further lowering the construction cost to the low income applicants. However, this direction necessitated coordination with several additional agencies to include the Huntingdon County Redevelopment Authority, the Huntingdon County Commissioners, the Mount Union Borough Council, the U.S. Department of Housing and Urban Development and the Pennsylvania Department of Community Affairs in addition to numerous meetings with the home package supplier and the FmHA state housing staff. It is significant to note that during the planning for this first group of homes, there developed a climate of sincere cooperation between the "Homes" organization staff and the staff of the Huntingdon FmHA office. It is anticipated that the "Homes" organization will become another "mechanism" for implementation of the rural development through outreach, application packaging and counseling.

2. Fulton County Housing/"HOPE" - (Homes on Peoples Energy) non-profit housing corporation (Fulton County) - while working with the SARPDC regarding regionwide planning objectives, DCA Section 111 staff was asked to assist a pocket of poverty in McConnellsburg, Fulton County. Because of previous contacts with the housing authority staff, much of the subsequent coordination was handled by

their office. The situation involved an enclave of about twelve Black families living under deplorable conditions on the outskirts of McConnellsburg in a place called "The Ridge". The majority of the housing was deteriorated beyond rehabilitation. Adequate water and sewer facilities were non-existent. The title to much of the land was unclear.

The Housing Authority had applied to HUD for a Small Cities Grant to serve the "Ridge" community with city sewer. DCA staff assisted the authority in responding to HUD's questions regarding the application. The FY '79 application was funded for $100,000. Concurrently, at the advice of DCA staff, the authority filed an application for FY '80 HUD Small Cities funds to bring city water to the "Ridge". Section 111 staff met on several occasions with leaders and members of the "Ridge" community to determine felt needs and to explain their possible involvement with FmHA programs.

Close coordination was maintained with DCA regional staff. The regional planner conducted a door-to-door survey on the "Ridge" to assess needs. Plans were made ready to utilize DCA and ARC housing funds to provide assistance in the development of new housing.

The HOPE organization included residents of the "Ridge" as well as community leaders of Fulton County. The group had been inactive for some time but was currently building one house on the "Ridge". Plans are to "build the capacity" and increase the scope of this organization by providing staff and additional funding through the DCA Bureau of Human Resources.

When adequate water and sewer are available on the "Ridge" it is planned to pursue the construction of a HUD or FmHA subsidized rental units to be managed by the Housing Authority and/or "HOPE".

3. Breezewood (Bedford County) Water Authority - Section 111 staff was instrumental in suggesting the packaging of a 2.3 million dollar water system expansion with Economic Development Administration funds. EDA has tentatively agreed to accept an application for 80 percent grant funding. FmHA will participate to finance the local share.

4. Yough Housing Corporation, non-profit housing corporation (Somerset County) - provided technical assistance and liaison with State FmHA Office regarding a ten-unit housing project to be funded and constructed in FY '80.

5. Blair County Industrial Development Authority - through SARPDC Section 111 staff was instrumental in identifying a priority FmHA Business and Industrial Grant Project. The grant was for $75,000 to extend a rail line in the growing William Ward Industrial Park in southern Blair County. The project is expected to result in the opening of a new industry to provide 200 new jobs.

6. Conemaugh/Quemahoning Townships (Somerset County)-- while working with the "Tablelands, Inc." outreach personnel, it became apparent that there existed a great need for general growth management planning in these two townships, with particular emphasis on sewer plans.

This is an area of historically heavy coal mining activity, with a resurgence of that industry on the horizon. However, because of the acid mine drainage in the area streams, they cannot qualify for EPA grant funding for community sewage treatment. Additionally, the nature of the soils and bedrock does not lend itself to on-site treatment systems. As a result, development pressure for housing and supportive commercial expansion has been frustrated.

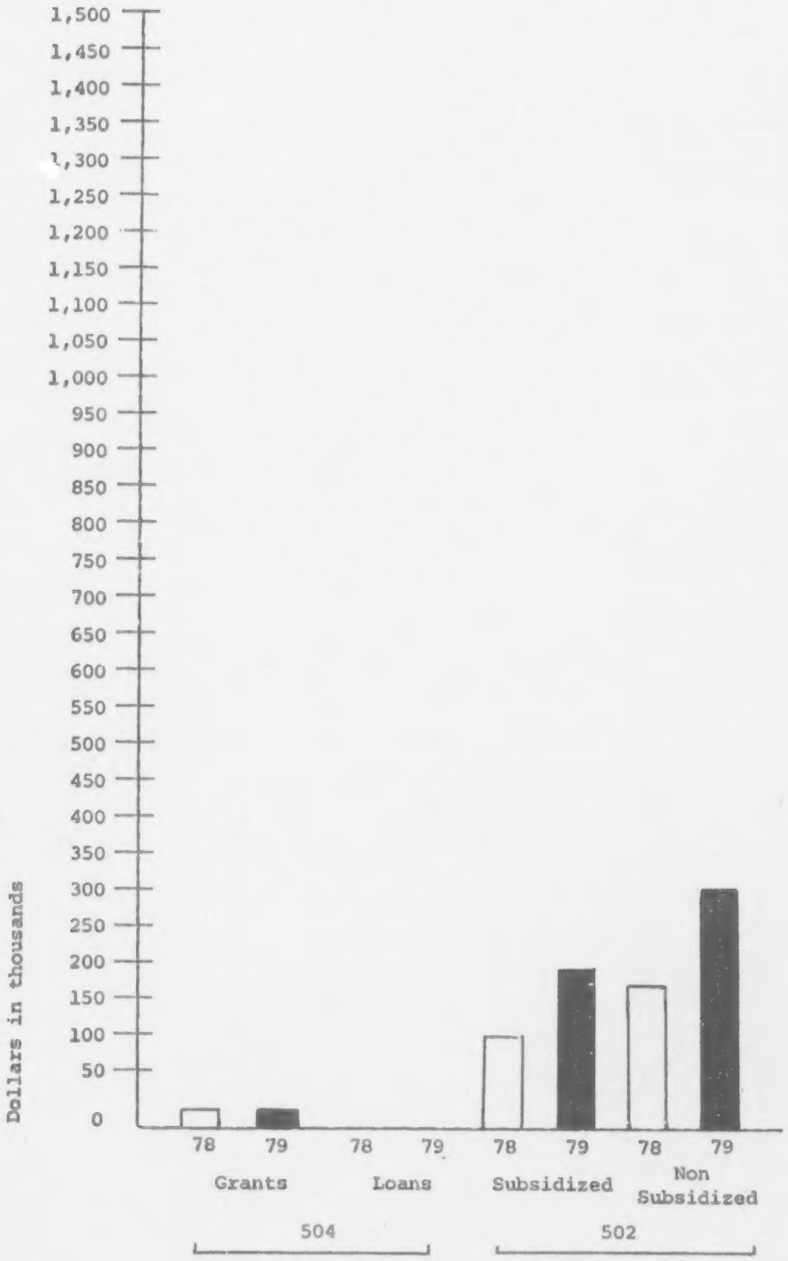
Another factor involves the development of a ten million dollar industrial park by ABEX Corporation which will employ 500 people in Quemahoning Township. The plant will manufacture wheels for railroad cars. The anticipated growth of this facility is directly linked to the resurgence of the coal industry.

Section 111 staff worked with the Pennsylvania State Cooperative Extension Title V Specialist in Somerset as well as the Cambria and Somerset County Planning Commissions to develop a proposal for funding a growth management plan. The FmHA Section 601 program is the anticipated funding source.

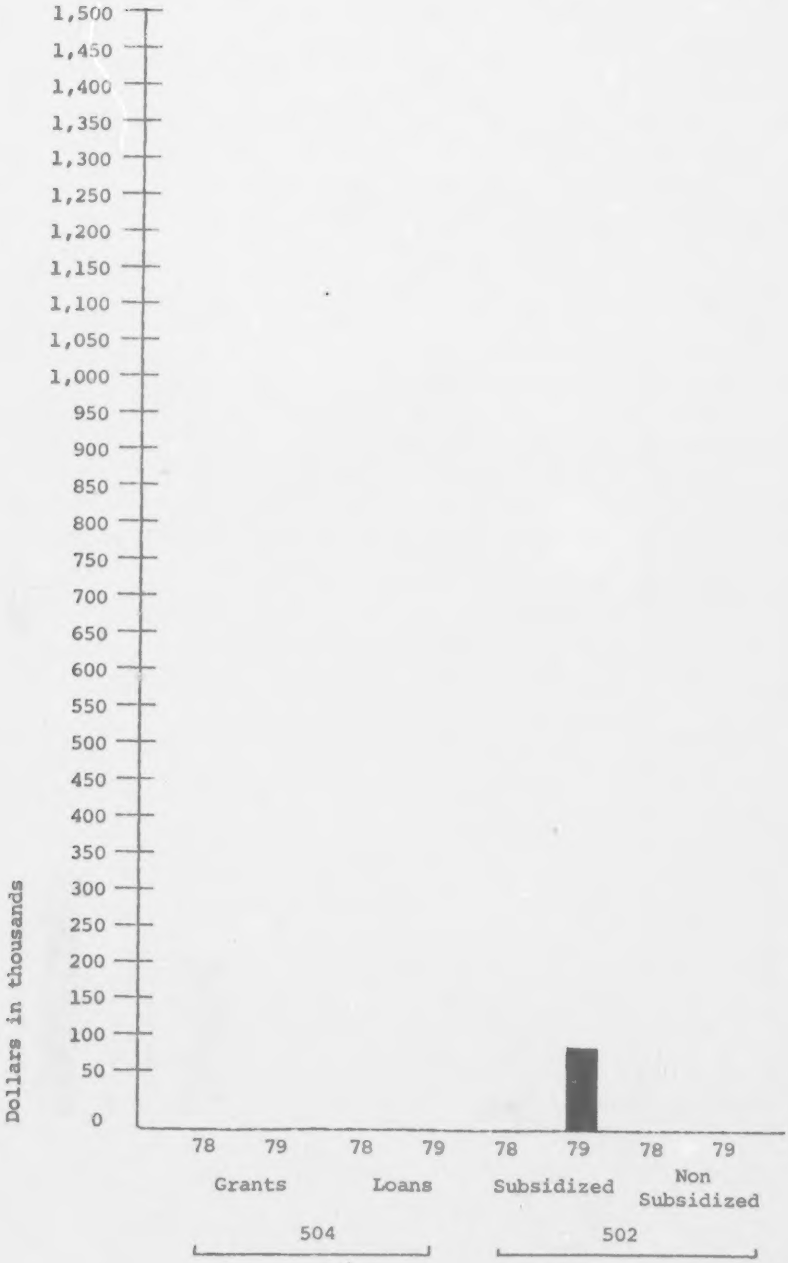
Section 111 staff met with the Township Sewer Authority as well as local businessmen and concerned citizens regarding the issue of sewage treatment. It was suggested that the authority's engineer rethink the approach to sewage treatment considering cost-effective alternative and innovative technology which could be financed for the most part, with local funds. The FmHA Section 601 program was also suggested as a vehicle to purchase and develop sites for housing with integral water and sewage treatment systems. This could relieve some of the housing development pressures.

APPENDIX C

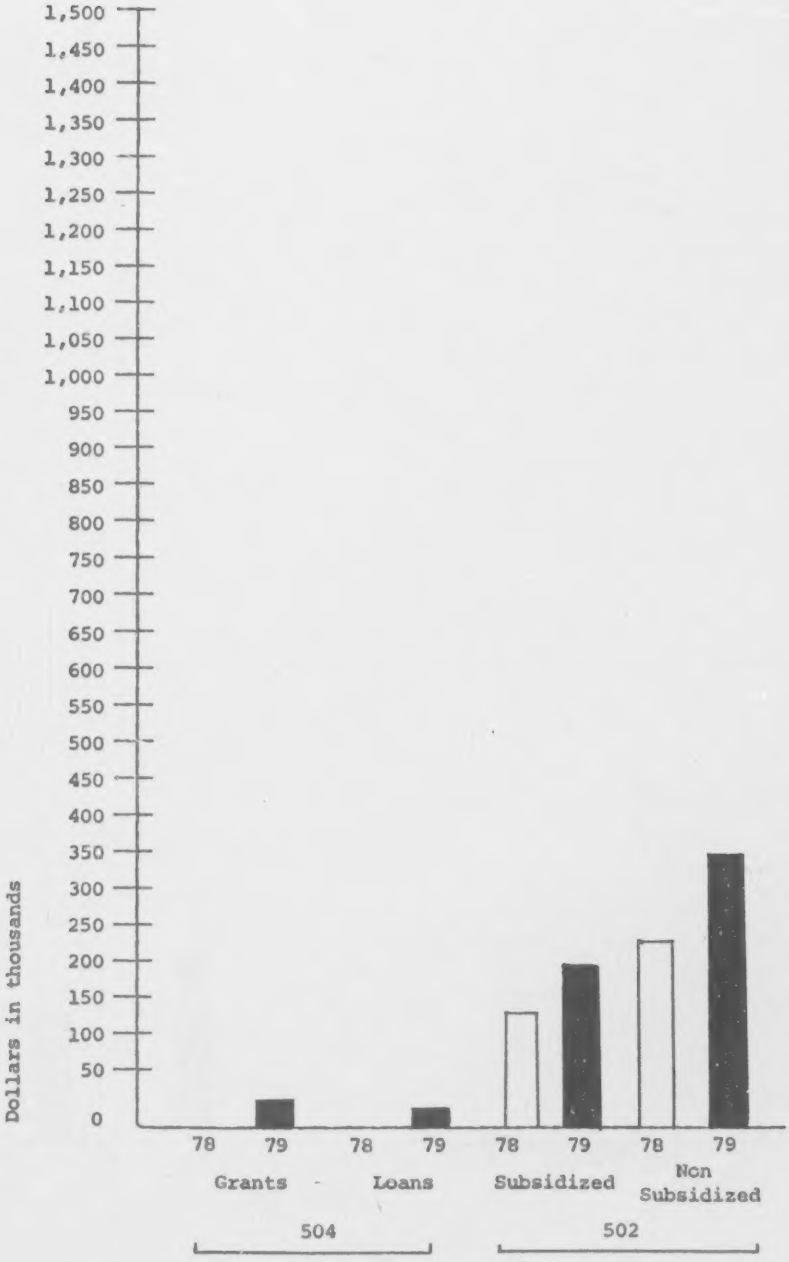
FARMERS HOME ADMINISTRATION
Individual Housing Programs
Cambria County
Dollars Obligated
FY '78 vs. FY '79



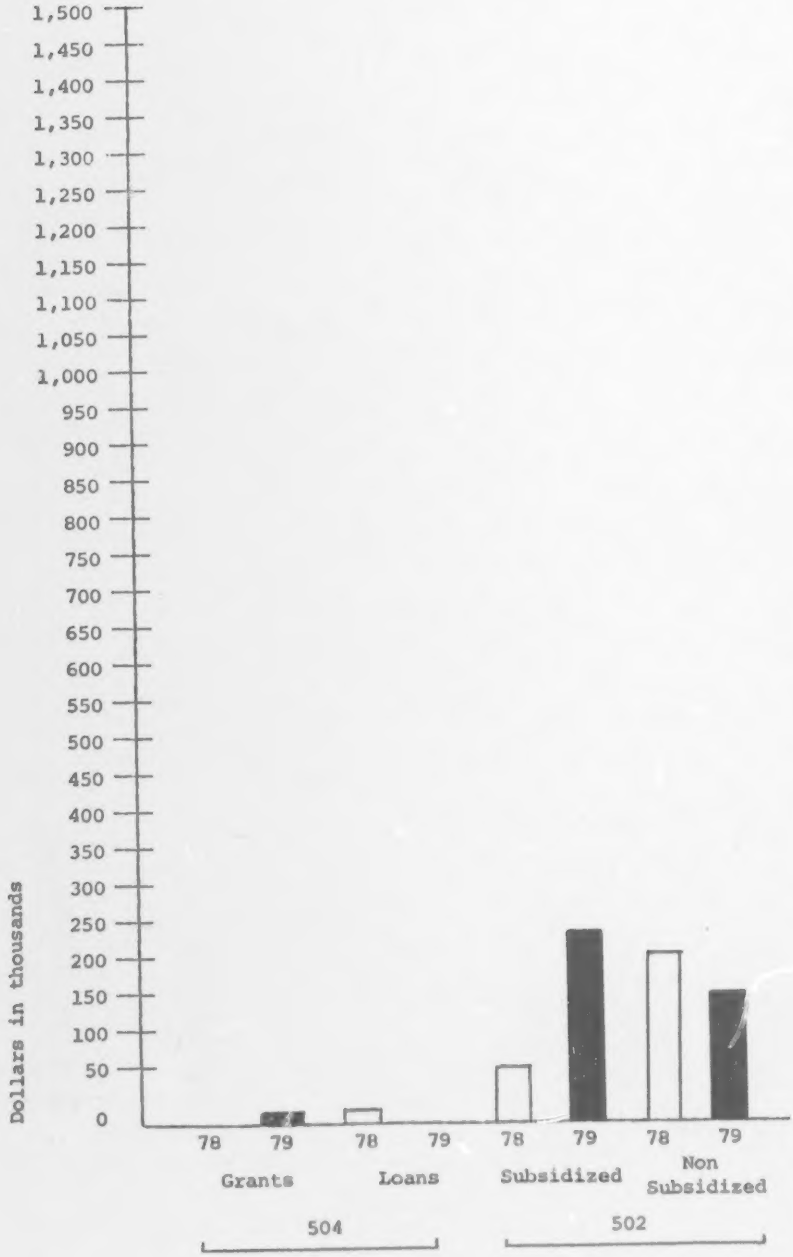
FARMERS HOME ADMINISTRATION
Individual Housing Programs
Fulton County
Dollars Obligated
FY '78 vs. FY '79



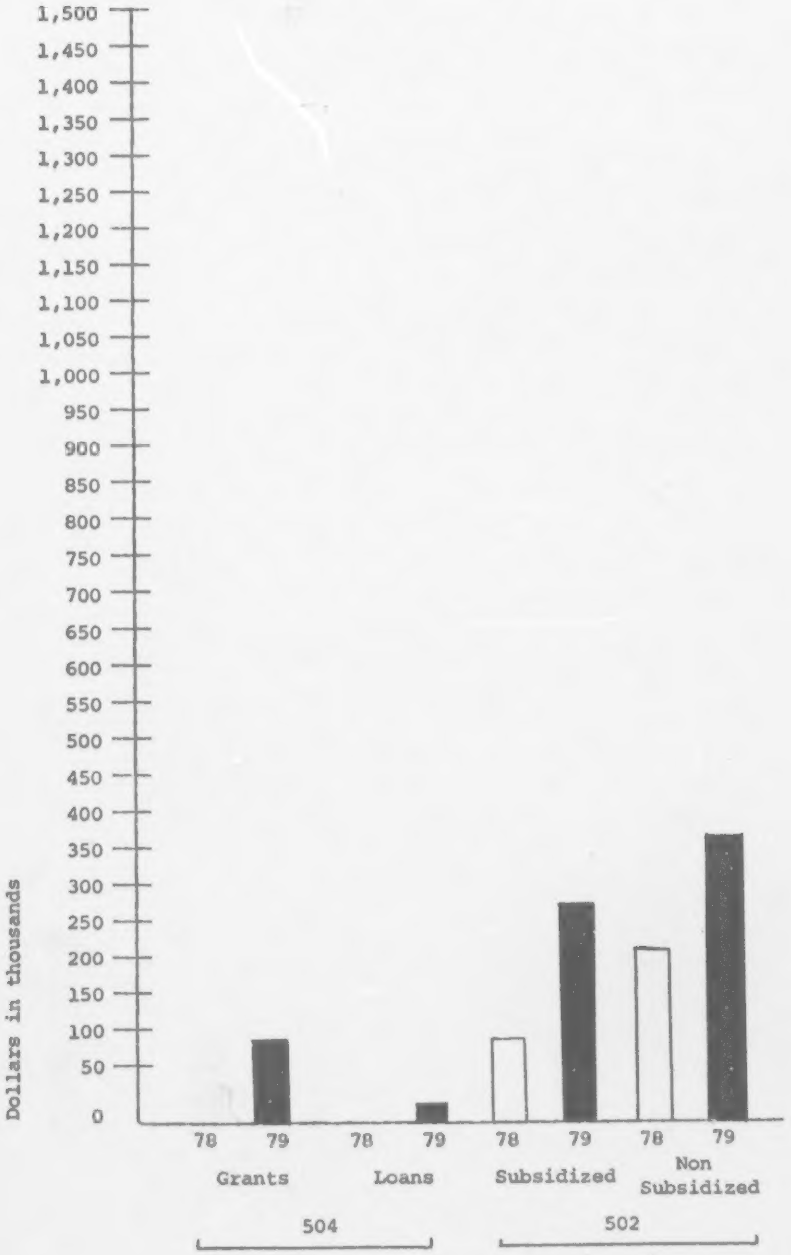
FARMERS HOME ADMINISTRATION
Individual Housing Programs
Somerset County
Dollars Obligated
FY '78 vs. FY '79



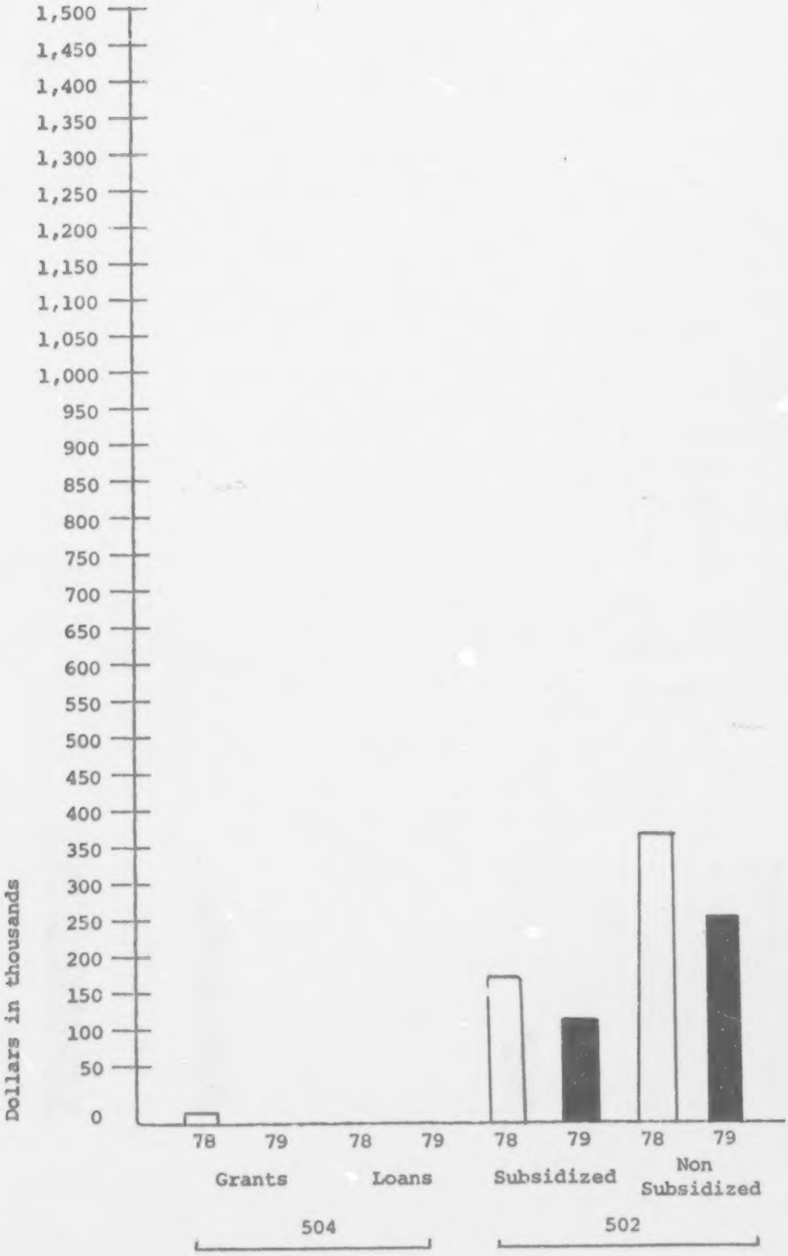
FARMERS HOME ADMINISTRATION
Individual Housing Programs
Bedford County
Dollars Obligated
FY '78 vs. FY '79



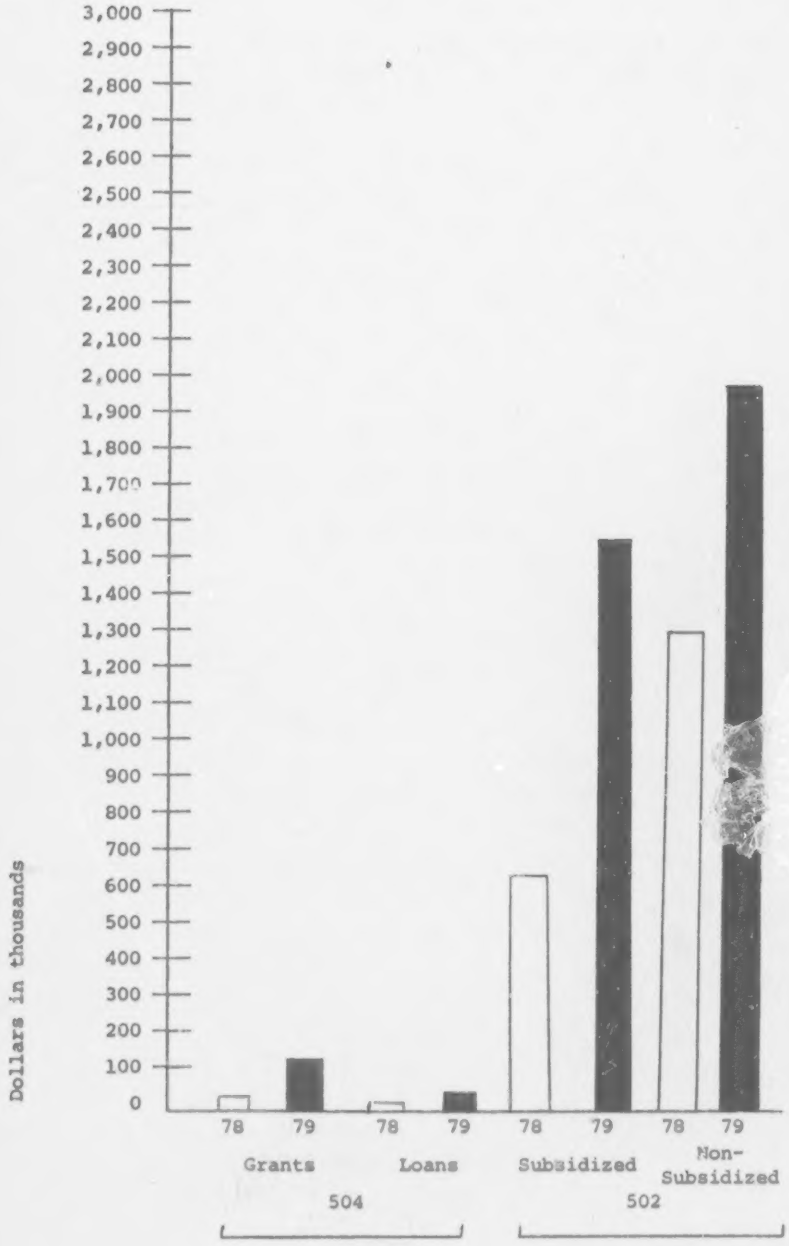
FARMERS HOME ADMINISTRATION
Individual Housing Programs
Huntingdon County
Dollars Obligated
FY '78 vs. FY '79



FARMERS HOME ADMINISTRATION
Individual Housing Programs
Blair County
Dollars Obligated
FY '78 vs. FY '79



FARMERS HOME ADMINISTRATION
Individual Housing Programs
Six-County Summary
Dollars Obligated
FY '78 *vs.* FY '79



APPENDIX D

PROGRAM ORIENTATION
FARMERS HOME ADMINISTRATION

Single Family and Multi-Family Housing Loan and Grant Programs

January 1980

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Bureau of Community Planning
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DEPARTMENT OF COMMUNITY AFFAIRS
RURAL DEVELOPMENT STUDY THROUGH FmHA 111

The Department of Community Affairs' (DCA) planning contract to study the potential for targeting FmHA housing and community facilities monies to rural areas with greatest need and most accurately identified potential for actual market use began in November, 1978. Two events make this an opportune time to reopen discussions with FmHA. Under a new administration, FmHA has undertaken a major reorganization of its central office and field activities. This should improve their housing delivery system for two reasons: (1) by concentrating responsibilities for rental housing and community facilities programs in the new district offices (which are in line now with other substate planning districts) greater expertise, and therefore, a streamlining of the review system is possible; (2) the allievation of these responsibilities should free up county office staff time and thereby permit more opportunities for concentration upon other housing programs, particularly the 502 and 504 subsidized programs.

The potential to increase FmHA housing assistance in Pennsylvania was formally attested to by the Department of Community Affairs Secretary Wilcox before a joint congressional hearing in 1976. At that time, data was made available through the national organization, The Housing Assistance Council. This information has been reviewed and updated using state records as well as supportive information from county and regional planning agencies.

In addition, in an April 4 letter, FmHA suggests a much stronger state role in their housing and community development operations, such as "flexible targeting" of federal assistance programs to meet state and local priorities and strategies. To that end, DCA has undertaken the production of a rural investment strategy for the four-county study areas. An initial draft of conditions and recommendations was submitted to the state office of FmHA in January 1979. Copies were distributed to county planning agencies, CAPs housing and redevelopment authorities for those organizations' review and comments.

General Situation - Pennsylvania in FmHAs

Anchor Position

Compared to other states, Pennsylvania is third from the bottom in housing assistance received from FmHA. It is next to last in housing assists through subsidized interest rates. This continuing record has prompted a more detailed analysis which follows.

As a background to this issue, all Pennsylvania counties, except Philadelphia, have rural areas with substantial amounts of substandard housing.[1] About 15 percent of Pennsylvania's rural households (1 million) are listed as substandard units in the 1970 census.

The role of the Federal Government in meeting this need is primarily one of providing credit. These were the Federal rural credit sources in 1974. See the attached summary of Federal funding sources for 1978 as represented in the Federal Information Exchange System.

The extent and availability of private credit and housing produced therefrom as well as State and other assistance, also needs to be ascertained in order to put FmHA's role in perspective. This information will be compiled for presentation in DCA Investment Strategy Study.

These statistics indicate the relative funding levels for housing and community development issues.

About the Farmers Home Administration

The Farmers Home Administration (FmHA) is an agency of the Department of Agriculture which operates its programs through a system of 1,760 county offices in rural areas nationwide. Unlike HUD's mortgage insured programs, most of FmHA's programs are not dependent on banks or other approved lending institutions. In most programs, FmHA is the lender making loans directly to eligible families or sponsors, including public bodies and non-profit organizations.

FmHA's housing programs for most part are processed directly by FmHA employees. Applications are submitted to the nearest FmHA county office.[2] These staffs not only receive and process the applications, but also provide counseling, supervision, and site inspections. One of the primary goals of the DCA Section 111 program is to develop a system of FmHA support staff within housing authorities, CAPs, Area Agencies on Aging, etc. These "rural housing aides" will be responsible for packaging 502 and 504 programs.

The rural housing aides should be able to give households to the individual attention which is needed by many families which are currently living in substandard housing. Housing counseling seems to be the key social resource which is now needed to make FmHA's rural development loan and grant program successful. Through assisting families with the technical paperwork of the loan and grant documents and providing mortgage counseling; the number of loans made should increase while the number of defaults should decrease.

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[1] The commonly used definition of a substandard housing unit is a dwelling lacking some of all plumbing or units with more than one occupant per room. The 1970 census tabulates these figures, which are used hereafter as an indicator of need. The final study documents will augment census data by more recent local, county, and regional studies.

[2] Pennsylvania has 27 FmHA County Offices serving 66 counties.

APPENDIX I

NATIONAL SUMMARY

(dollars in thousands)

Department of Agriculture

Farm Labor Housing Grants, FmHA	$ 7,750
Rural Development Planning, FmHA	5,000
Rural Self-Help Housing Tech. Asst., FmHA	3,646
Very Low-Income Housing Repair Grts., FmHA	9,000
Water & Sewer Grts.-Appalachian Supp., FmHA	15,194
Water and Waste Disposal Grants, FmHA	303,910
Self-Help Housing Land Dev. Loans, FmHA	1,169
Very Low-Income Housing Repair Loans, FmHA	11,942
Business and Industrial Loans, FmHA	999,978
Community Facilities Loans, FmHA	249,997
Emergency Disaster Loans, FmHA	3,411,858
Low to Moderate Income Housing Loans, FmHA	2,690,853
Water and Waste Disp. Systems Loans, FmHA	749,996
Rural Housing Site Loans, FmHA	1,754
Rural Rental Housing Loans, FmHA	675,945
TOTAL LOANS AND GRANTS	$ 9,137,992

Department of Commerce

Appalachian Housing Technical Asst., O/S	$ 1,086
Appalachian Local Dev. District Asst., O/S	5,166
Appalachian State Housing Tech. Asst., O/S	4,459
Econ. Dev.-State & Local Econ. Dev. Planning, EDA	11,127
Econ. Dev.-Support for Planning Orgs., EDA	14,317
Econ. Dev.-Technical Assistance, EDA	14,409
Econ. Dev.-Grants and Loans-Public Works, EDA	157,214
Econ. Dev.-Grants to STates, EDA	20,000
Econ. Dev.-Public Works Impact Projects, EDA	30,470
Econ. Dev.-Special Econ. Dev. & Adj. Asst., EDA	98,001
Econ. Dev.-Business Development Asst., EDA	59,715
Econ. Dev.-Grants & Loans-Public Works, EDA	68
Econ. Dev.-Technical Assistance, EDA	747
Econ. Dev.-Trade Adjustment Assistance, EDA	44,139
TOTAL	$ 460,918

Department of Housing and Urban Development

Comm. Dev. Block Grts.-Discretionary Gts, CPD	$ 271,519
Comm. Dev. Block Grts.-Entitlement Grts, CPD	2,595,271
Comprehensive Planning Assistance, CPD	63,650
Low Income Housing Asst.-House Payments, HM	898,640
TOTAL - GRANT FUNDS	$ 3,829,081
AGENCY TOTAL - FEDERAL FUNDS	$ 4,324,914

Department of Housing and Urban Development

INDIRECT FEDERAL SUPPORT	
Loan Insurance-Major Home Imporvements, H	$ 78
Mobile Home Loan Insurance, H	252,781
Mortgage Insurance-Condominium Homes, H	77,119
Mortgage Insurance-Experimental Homes, H	125
Mortgage Insurance-Hospitals, H	218,504
Mortgage Insurance-Mobile Home Parks, H	2,889
Mortgage Insurance-Nursing Homes, H	109,768
Mortgage Insurance-Regular Homes, H	8,118,844
Mortgage Insurance-Servicemen's Homes, H	158,499
Mortgage Insurance-Urban Renewal Homes, H	611
Mortgage Insurance-Condominium Housing Projects, H	11,170
Mortgage Insurance-Homes for Certified Veterans, H	669,883
Mortgage Insurance-Homes for Special tredit Risks, H	2,288
Mortgage Insurance-Homes in Declining Areas, H	152,651
Mortgage Insurance-Homes in Outlying Areas, H	70,036
Mortgage Insurance-Land Development & New Commun, H	13,769
Mortgage Insurance-Low/Mod Inc. House Mkt Int Rate, H	1,884,761
Mortgage Insurance-Low/Mod Income Family Homes, H	687,932
Mortgage Insurance-Lower Income Family Homes, H	54,480
Mortgage Insurance-Multifamily Supplemental Loans, H	13,234
Mortgage Insurance-Projects with 2-year Oper Losses, H	529
Mortgage Insurance-Purchase/Refin Existing House, H	298,360
Mortgage Insurance-Regular Rental Housing Proj., H	6,040
Mortgage Insurance-Rental Housing Asst. Projects, H	37,404
Mortgage Insurance-Rental Housing for the Elderly, H	177,654
Mortgage Insurance-Sales Type Co-op Projects, H	17,054
Mortgage Insurance-Urban Renewal Housing Projects, H	62,086
Property Improvement Loan Insurance, H	1,229,831
HUD INDIRECT SUB-TOTAL	$ 14,328,380

Veterans Administration

INDIRECT FEDERAL SUPPORT	
Mobile Home Loans	$ 59,749
Veterans Guaranteed and Insured Loans	15,140,159
VETERANS ADMINISTRATION TOTAL	$ 15,199,908

Recapitulation of all Federal Housing and Development Funding Levels

Farmers Home Administration Total (FmHA)	$ 9,137,992,000
Commerce Total	460,918,000
HUD Direct Total	4,324,914,000
HUD Indirect Total	14,328,380,000
Veterans Administration	15,199,908,000

STATE SUMMARY
PENNSYLVANIA

Department of Agriculture

Rural Self-Help Housing Tech. Asst., FmHA	$ 178
Very Low Income Housing Repair Grts., FmHA	217
Water & Sewer Grts-Appalachian Supp., FmHA	1,039
Water and Waste Disposal Grants, FmHA	10,326
Rural Development Planning, FmHA	100
Very Low Income Housing Repair Loans, FmHA	246
Business and Industrial Loans, FmHA	24,829
Community Facilities Loans, FmHA	7,578
Emergency Disaster Loans, FmHA	6,757
Low to Moderate Income Housing Loans, FmHA	29,024
Rural Rental Housing Loans, FmHA	19,993
Water and Waste Disp. Systems Loans, FmHA	26,755

Department of Commerce

Appalachian Local Dev. District Asst., O/S	$ 633
Appalachian State Housing Tech. Asst. O/S	334
Appalachian State Res. Rech Ast. & Dem. O/S	1,097
Econ Dev.-State & Local Econ Dev. Plnng., EDA	100
Econ Dev-Support for Planning Orgs, EDA	228
Econ Dev-Technical Assistance, EDA	973
Econ Dev-Trade Adjustment Assistance, EDA	2,660
Econ Dev-Grants & Loans-Public Works, EDA	3,420
Econ Dev-Grants to States, EDA	510
Econ Dev-Public Works Impact Projects, EDA	1,832
Econ Dev-Special Econ Dev & Adj Asst, EDA	4,640
Econ Dev-Business Development Asst, EDA	7,150
Econ Dev-Technical Assistance, EDA	5
Econ Dev-Trade Adjustment Assistance, EDA	6,192

Department of Housing and Urban Development

GRANT FUNDS	
Comm Dev Block Grts-Discretionary Gts., CPD	$ 16,061
Comm Dev Block Grts-Entitlement Grts., CPD	200,283
Comprehensive Planning Assistance, CPD	2,424
Low Income Housing Asst-Hous Payments, HM	58,580
TOTAL - GRANT FUNDS	$ 277,348
OTHER FEDERAL FUNDS	
S & E, Dept. of Housing & Urban Development	19,184
TOTAL - OTHER FEDERAL FUNDS	$ 19,184
AGENCY TOTAL - FEDERAL FUNDS	$ 296,532

(con't on next page)

Department of Housing and Urban Development

INDIRECT FEDERAL SUPPORT

Mobile Home Loan Insurance, H	$ 5,341
Mortgage Insurance-Hospitals, H	50,514
Mortgage Insurance-Nursing Homes, H	4,309
Mortgage Insurance-Regular Homes, H	62,157
Mortgage Insurance-Servicemen's Homes, H	73
Mortgage Insurance-Homes for Certified Veterans, H	1,767
Mortgage Insurance-Homes for Special Credit Risks	13
Mortgage Insurance-Homes in Declining Areas, H	2,441
Mortgage Insurance-Low/Mod Inc Hous-Mkt Int Rate, H	61,742
Mortgage Insurance-Low/Mod Inc Family Homes, H	7,616
Mortgage Insurance-Lower Income Family Homes, H	18
Mortgage Insurance-Projects with 2-year Oper Losses, H	77
Mortgage Insurance-Purchase/Refin Existing Hous, H	5,767
Mortgage Insurance-Rental Housing Asst Projects, H	2,449
Mortgage Insurance-Rental Housing for the Elderly, H	12,525
Mortgage Insurance-Urban Renewal Housing Projects, H	10,466
Property Improvement Loan Insurance, H	75,434

Veterans Administration

INDIRECT FEDERAL SUPPORT

Mobile Home Loans	$ 781
Veterans Guaranteed and Insured Loans	299,808

AGENDA
FmHA TRAINING - HOUSING PROGRAMS

PREFACE: Description of FmHA Funding levels in Pennsylvania
Handout - obligations for FY 1979

1. FmHA Section 502 Homeownership Program
   - a. Description of Program
     (Purpose, Eligibility, Rates, Terms, Limitations, Interest Credit, Conditional Commitments, Self-Help)
   - b. Application Process
     (Applicant interviews, application, computing monthly payment, letters from lenders, credit checks, verification of income, land options/purchase, plans and specs, construction costs, loan closing, preoccupancy counseling)
2. FmHA Section 502 Guaranteed Loans - Conditional Commitments
   - a. Description of Program
   - b. Handouts - process and computation examples
3. FmHA Section 504 Home Repair Program
   - a. Description of Program
     (Purpose, Loan Uses, Eligibility, Rates, Terms, Limitations, Security)
   - b. Application Process
     (Applicant interview, eligibility of property, estimate of work, application, monthly payment, work write-up, locating contractor, packaging documents, counseling)
   - c. Case Studies - 504 problems - 502 problems
4. FmHA Section 515 Rural Rental Housing
   - a. Description of Program
     (Purpose, borrower eligibility, loan types, subsidy mechanisms, use of funds, rates, terms, limitations, site requirements, housing design, interface with Section 8, management)
   - b. Application Process
     (laying groundwork, market survey, borrower determination, assembling development team, site selection, pre-application package, final application package, budgets, management policies, letting bids, construction)
   - c. Problem - preparing 1 percent budget for Plan II project

5. FmHA Section 523 - Self-Help Housing
   a. Description of program

   b. Application Process

   c. Description of Homes for Huntingdon

6. FmHA Farme Labor Housing - Section 516 (Grants) 514 (Loans)

7. FmHA Site Development - Section 524, Section 523

8. A Note on Counseling

9. The need to consider the interrelations and alternative and supportive solutions

10. Questions and comments

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY AFFAIRS
BUREAU OF COMMUNITY PLANNING
DIVISION OF REGIONAL PLANNING

G-8 South Office Building
Harrisburg, Pennsylvania 17120
717-787-7400

Farmers Home Administration Investment Strategy Project

Shirley Anne Warshaw - Program Coordinator
John F. Boyer, Jr. - Economic Development Specialist
Craig Zumbrun - Housing Specialist

PROGRAM GOALS

A. Increase use of FmHA program funds

  1. Increase public awareness through outreach and public relations efforts.

  2. Increase range of clients through more intensive effort to contact low income families.

B. Develop a rural investment strategy for Pennsylvania

  1. Target programs to areas of greatest need based on income, unemployment, housing conditions, planning goals.

  2. Develop a method to insure that priority area's needs are met first.

  3. Encourage minority applicants to participate in FmHA programs.

C. Assure priority area funding by better coordination of local, state, and Federal agencies

  1. Develop ongoing working relationship between FmHA, HUD, and EPA, EDA, and ARC.

  2. Work towards developing stronger intra-county and regional organizational interaction.

  3. Work towards better planning from all points of consideration - transportation, energy use, industrial or other employment opportunities and environmental concerns.

D. Establish a housing information resource center in each county and large town as well as a regional housing informational center.

FARMERS HOME ADMINISTRATION
FEDERAL YEAR 1979
APPROPRIATIONS FOR PENNSYLVANIA

Community Facilities Programs			
Loans			
	Water and Sewer	$ 40,940,000	
	Other (Medical Facilities, Fire and Safety, etc.)	10,650,000	
Grants			
	Water and Sewer Only	12,150,000	
Total for Community Facilities Program			($63,740,000)
Business and Industrial Programs			
Loans		$ 41,190,000	
Grants		385,000	
Total for Business and Industrial Programs			($41,757,000)
Housing Programs			
502	Single-family loans for low and moderate income families		
	Non-subsidized loans	$ 23,000,000	
	Subsidized loans	36,000,000	
502	Guaranteed loan program for above moderate income families	18,000,000	
504	Rehabilitation Grants	550,000	
504	Rehabilitation Loans	550,000	
515	Rural Rental Housing Loans (Multi-family)	27,700,000	
Total for Housing Programs			($105,800,000)
Total for Pennsylvania Allocations		$156,375,000	

LOANS APPROVED
RURAL HOUSING LOAN PROGRAMS, (FmHA)

October 1, 1978 through February 15, 1979

	502 SUBSIDIZED	502 NON-SUBSIDIZED	502 TOTAL	504 GRANTS	504 LOANS	515 RURAL RENTAL HOUSING
Allentown	2	17	19			
Bedford	6	1	7	2		
Bellefonte	9	31	40		1	
Bloomsburg	10	13	23	2		
Brookville	20	13	33			
Butler	11	19	30			
Chambersburg	9	16	25			
Clearfield	7	23	30		4	1
Cleona	5	10	15			
Doylestown	13	38	51			
Ebensburg	8	17	25			
Franklin	15	44	59	3	1	1
Gettysburg	13	20	33	2	1	1
Greensburg	6	17	23	1		
Honesdale	18	6	24	2		
Huntingdon	6	20	26	3		1
Kittanning	9	13	22	4	5	
Lancaster	5	25	30			1
Leesport	4	14	18			
Lewisburg	5	4	9			
Meadville	10	12	22	1		
Mercer	9	8	17	3		
Mifflintown	2	32	34	2		
Montrose	9	6	15	1	1	2
Nanticoke	6	10	16	1	1	

	502 SUBSIDIZED	502 NON-SUBSIDIZED	502 TOTAL	504 GRANTS	504 LOANS	515 RURAL RENTAL HOUSING
Pottsville	6	10	16	8	5	
Smethport	5	21	26	5		2
Somerset	6	9	15	4	2	
Towanda	5	10	15	6		
Uniontown	11	17	28	5	6	
Washington	8	10	18	3	1	
Waterford	7	23	30			
Wellsboro	4	21	25	5		
Williamsport	29	19	48	8		
TOTAL	298	569	867	71	26	8

PENNSYLVANIA OFFICES
OF THE
FARMERS HOME ADMINISTRATION
U.S. DEPARTMENT OF AGRICULTURE

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J. Fred King, State Director

United States Department of Agriculture
Farmers Home Administration
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Obediah Baker, Chief

Richard Hoover, Rural Housing Specialist

Frank Weatherhold, Rural Housing Specialist

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Michael Markowski (717) 782-3769

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William Crummy, Director

Ira Moumgis, Assistant Director

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Steven D. Jorgensen, County Supervisor

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Kittanning, Pennsylvania 16201

(412) 548-8131

Fayette/Greene County Office

Larry W. Frey, County Supervisor

355 B McClellandtown Road
Uniontown, Pennsylvania 15401

(412) 437-2708

Washington County Office

Ralph J. Guyton, Jr., County Supervisor
37 Highland Avenue
Washington, Pennsylvania 15301

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938 St. Clair Way
Greensburg, Pennsylvania 15601

(412) 834-0396

FARMERS HOME ADMINISTRATION INVESTMENT
ARMSTRONG COUNTY
NEW AND SUBSEQUENT OBLIGATIONS

PROGRAMS	FY '77		FY '78		FY '79	
	#Appl.	$Oblig.	#Appli.	$Oblig.	#Appl.	$Oblig.
Housing						
504 Grants	--	--	2	6,600	17	65,010
504 Loans	1	5,000	6	15,650	8	22,200
502 - Subsidized - New	1	25,000	1	35,200	2	72,130
502 - Subsidized - Old	3	47,400	13	148,410	34	690,220
502 - Non-subsidized	8	82,560	9	137,530	31	724,560
Total Indiv. Housing	13	159,960	31	343,390	92	1,574,120
515 Rural Rental	--	--	--	--		
Community Facilities						
Water/Sewer Grants	1	317,500	--	--	--	--
Water/Sewer Loans	--	--	--	--	1	115,000
Other Community Fac.	--	--	--	--	--	--
Energy Impact						
601 Planning Grant	N/A	N/A	N/A	N/A	--	--
601 Site Acquis.: Grant	N/A	N/A	N/A	N/A	--	--
Business and Industry						
B & I Grant	--	--	--	--	--	--
B & I Loan	--	--	--	--	--	--
Rural Development Planning Grant Section 111					1	15,000
Total Investment	14	477,460	31	343,390	95	1,704,120

Grand Total 3 year

Total # Applications - 140
Total $ Obligated - 2,524,970

FARMERS HOME ADMINISTRATION INVESTMENT
FAYETTE COUNTY
NEW AND SUBSEQUENT OBLIGATIONS

PROGRAMS	FY '77		FY '78		FY '79	
	#Appl.	$Oblig.	#Appli.	$Oblig.	#Appl.	$Oblig.
Housing						
504 Grants	1	800	7	23,280	14	35,940
504 Loans	13	42,390	27	83,710	34	130,040
502 - Subsidized - New	2	58,500	1	31,900	--	--
502 - Subsidized - Old	10	129,200	10	226,400	21	522,400
502 - Non-subsidized	23	311,860	19	380,050	25	545,900
Total Indiv. Housing	49	542,750	63	745,340	94	1,234,280
515 Rural Rental	1	90,100	--	--	--	--
Community Facilities						
Water/Sewer Grants	1	88,300	--	--	1	212,000
Water/Sewer Loans	1	198,000	--	--	1	2,348,000
Other Community Fac.	--	--	--	--	--	--
Energy Impact						
601 Planning Grant	N/A	N/A	N/A	N/A	--	--
601 Site Acquis.: Grant	N/A	N/A	N/A	N/A	--	--
Business and Industry						
B & I Grant	--	--	--	--	--	--
B & I Loan	--	--	--	--	--	--
Total Investment	52	919,150	63	745,340	96	2,560,000

Grand Total 3 year

Total # Applications - 211
Total $ Obligated - 5,458,770

FARMERS HOME ADMINISTRATION INVESTMENT

GREENE COUNTY

NEW AND SUBSEQUENT OBLIGATIONS

PROGRAMS	FY '77		FY '78		FY '79	
	#Appl.	$Oblig.	#Appli.	$Oblig.	#Appl.	$Oblig.
Housing						
504 Grants	1	2,690	--	--	--	--
504 Loans	4	13,800	1	4,150	1	5,000
502 - Subsidized - New	--	--	--	--	--	--
502 - Subsidized - Old	1	24,000	2	47,700	1	23,000
502 - Non-subsidized	2	22,800	1	18,000	4	89,200
Total Indiv. Housing	8	63,290	4	69,850	6	117,200
515 Rural Rental	--	--	--	--	--	--
Community Facilities						
Water/Sewer Grants	--	--	--	--	1	214,000
Water/Sewer Loans	--	--	--	--	1	406,000
Other Community Fac.						
Energy Impact						
601 Planning Grant	N/A	N/A	N/A	N/A	1	20,000
601 Site Acquis.: Grant	N/A	N/A	N/A	N/A	1	127,500
Business and Industry						
B & I Grant	--	--	--	--	--	--
B & I Loan	--	--	--	--	--	--
Total Investment	8	63,290	4	69,850	10	884,700

Grand Total 3 year

Total # Applications - 22
Total $ Obligated - 1,017,840

FARMERS HOME ADMINISTRATION INVESTMENT
INDIANA COUNTY
NEW AND SUBSEQUENT OBLIGATIONS

PROGRAMS	FY '77		FY '78		FY '79	
	#Appl.	$Oblig.	#Appli.	$Oblig.	#Appl.	$Oblig.
Housing						
504 Grants	--	--	--	--	--	--
504 Loans	--	--	--	--	--	--
502 - Subsidized - New	--	--	--	--	--	--
502 - Subsidized - Old	2	32,500	1	27,000	5	141,250
502 - Non-subsidized	6	107,750	5	89,100	10	234,830
Total Indiv. Housing	8	140,250	6	116,100	18	382,810
515 Rural Rental	--	--	--	--	--	--
Community Facilities						
Water/Sewer Grants	1	1,386,600	--	--	3	1,279,300
Water/Sewer Loans	1	1,293,400	--	--	2	2,715,400
Other Community Fac.	1	200,000	--	--	--	--
Energy Impact						
601 Planning Grant	N/A	N/A	N/A	N/A	--	--
601 Site Acquis.: Grant	N/A	N/A	N/A	N/A	--	--
Business and Industry						
B & I Grant	--	--	--	--	--	--
B & I Loan	--	--	12	12,000,000	1	60,000
Total Investment	11	3,020,250	18	12,116,100	24	4,437,510

Grand total 3 year

Total # Applications - 53
Total $ Obligated - 19,573,860

FARMERS HOME ADMINISTRATION INVESTMENT
WESTMORELAND COUNTY
NEW AND SUBSEQUENT OBLIGATIONS

PROGRAMS	FY '77		FY '78		FY '79	
	#Appl.	$Oblig.	#Appli.	$Oblig.	#Appl.	$Oblig.
Housing						
504 Grants	--	--	2	3,400	2	2,340
504 Loans	2	3,000	1	3,000	1	3,000
502 - Subsidized - New	4	105,400	1	27,500	2	67,580
502 - Subsidized - Old	7	100,900	8	154,100	24	694,780
502 - Non-subsidized	26	425,530	15	237,400	35	734,750
Total Indiv. Housing	39	634,830	27	425,400	64	1,502,450
515 Rural Rental	2	964,200	2	276,700	1	71,000
Community Facilities						
Water/Sewer Grants	--	--	--	--	1	100,000
Water/Sewer Loans	1	81,900	1	132,000	1	50,000
Other Community Fac.	--	--	--	--	--	--
Energy Impact						
601 Planning Grant	N/A	N/A	N/A	N/A	--	--
601 Site Acquis.: Grant	N/A	N/A	N/A	N/A	--	--
Business and Industry						
B & I Grant	--	--	--	--	--	--
B & I Loan	--	--	--	--	--	--
Total Investment	42	1,680,930	30	834,100	67	1,723,450

Grand Total 3 year

Total # Applications - 139
Total $ Obligated - 4,138,580

How Adjusted Family Income (AFI) is Calculated

Gross or sum of all adult family members income living at home minus a standard 5 percent deduction. There is also a $300 deduction per child under 18 years of age. In some circumstances other factors such as child care costs can be deducted also.

EXAMPLE:

Husband & wife (with three children) earning a total of $14,300 per year	gross	= $ 14,300
	-5% deduction	- 715
	sub-total	13,585
	-$300 per child	- 900
	AFI	= $ 12,685

CONDITIONAL COMMITMENTS FOR RURAL HOUSING LOANS

The Farmers Home Administration (FmHA) issues Conditional Commitments on single-family dwellings in rural communities (generally areas under 10,000 population). The program is designed to encourage the construction or rehabilitation of single-family dwellings in rural areas for sale to low- and moderate-income families.

What is a Conditional Commitment?

It is not a legally binding contract, but is assurance to a builder or seller that the agency will be willing to make loans to qualified applicants if the homes meet the FmHA lending, design, and construction requirements in effect when the loan is to be closed.

This assurance does not reserve funds for a loan nor does it provide for construction financing.

Who May Apply for Conditional Commitments?

An individual, partnership, or corporation engaged in the construction or the rehabilitation and sale of homes may apply for a Conditional Commitment.

What is Required of An Applicant For a Conditional Commitment?

An applicant must:

1. Have demonstrated ability to provide for the construction of single-family dwellings in a competent and workmanlike manner.
2. Be the owner of the site on which the dwelling will be located and have the financial ability to complete the proposed housing construction or rehabilitation.
3. Plan to build or rehabilitate homes that will be acceptable for purchase by families who qualify for rural housing loans through FmHA. Homes will be sold for not more than the agreed commitment price if financed by FmHA. However, houses may also be sold to families who secure financing elsewhere.
4. Certify that there will be no discrimination in the sale of dwellings because of race, creed, color, sex, marital status, or national origin.
5. Conform with local building codes and regulations regarding housing construction.
6. Have the legal capacity to enter into the required agreements and the actual capacity to carry them out.

What Limitations are Placed on Conditional Commitments?

Conditional Commitments may be issued before construction begins:

1. On new dwellings, including manufactured homes.
2. On dwellings which require major repairs, additions, structural changes or installations.
3. When the total number of commitments issued by FmHA in any locality does not exceed the market of homes for which there is an immediate and ready market.

What are the Terms of Conditional Commitment?

The conditional commitment is good for 12 months from date of issue. It may be extended for an additional 6 months if justified because of unexpected delays in construction caused by such factors as bad weather, material shortages, or other unforeseen difficulties.

Commitment applications must be accompanied by an application fee for each house based on the following schedule:

1. Construction of new home-----$ 65.00.
2. Rehabilitation of existing home-----$ 50.00.

How Does One Apply?

Applications are made in the form of a letter specifying:

1. Number of homes for which commitments are being requested and a description of the type and location of the homes involved.
2. Number of previous commitments issued by Farmers Home Administration on homes that are unsold as of the date of application.

Attached to the application should be supporting data such as plans, specifications, proposed selling price, and other information related to the property.

Where Does One Apply?

Applications for a Conditional Commitment are made at the local county office of the Farmers Home Administration, usually located in the county seat town. The office staff will be glad to discuss services available from the agency and explain how to prepare a written application.

I. 502 Direct Loan for Low and Moderate Income Families

Thirty-three years maximum mortagage term - 9 percent interest - 100 percent financing available for new construction.

A. This is a versatile loan - It can be used to purchase land, or a home, for building a new home, or repairing an existing house.

B. An applicant must not have standard housing prior to applying and must have an adjusted family income (AFI) of $15,600 or less. Applicants must be unable to obtain other (conventional) financing.

C. New houses must be 1,300 square feet or less and must conform to local codes and HUD's minimum property standards (MPS). FmHA encourages applicants to consider houses with 900-1,100 square feet of living space.

II. 502 Interest Credit Program for Low Income Families

A. Interest under this program can be as low as 1 percent, depending upon applicant's income.

B. Applicant must have AFI of under $11,200.

C. Applicant's income is reviewed every two years after being initially approved for the program. The family must agree to accept conventional funding once the family's income indicates that is is sufficient.

III. 502 Guaranteed Mortgage for Above Moderate Income Families

A. Applicants with AFI of $15,600 to $20,000 receive mortgage money directly from a local lender.

B. FmHA guarantees 90 percent of the mortgage.

C. The commitment is for one year and may be extended for an additional six months.

IV. 502 Rehabilitation through the Incentive Program

A.

	Interest Rates	Loan Amount	Loan Terms
AFI = $7,000 =	3% =	$7,000 maximum	$5,001 - $7,000 = 25 years
AFI = $5,000 =	2% =	$7,000 maximum	$2,501 - $5,000 = 15 years
AFI = $3,000 =	1% =	$7,000 maximum	under $2,500 = 10 years

V. 504 Rehabilitation

One percent maximum interest rate - 20 years maximum term.

A. Purpose: To make houses safe and remove hazards. Sewer and water for example must meet county health standards.

B. Loan Terms

Loan Amounts		Maximum Repayment Period
Under - $1,500	=	10 years
$1,501 - $2,500	=	15 years
$2,501 - $5,000	=	20 years

NOTE: Grants are available to very low income elderly

C. Money can be used to make house barier free for handicapped and elderly families and can be used to cure overcrowding.

D. This program has the potential to be paired with HUD (CDBG or 312), or CSA or DCA weatherization monies. Local technical schools are another resource to assist FmHA loans and grants in meeting local repair needs.

VI. 515 Direct Loan Rental Housing - 50 years maximum term

A. Maximum $1,500,000 or National Office Approval [$17,500 (or $18,500 with Section 8) per unit.]

B. Resident Eligibility - (unsubsidized:) Family = $15,600 and senior citizens of any income.

C. Resident Eligibility (with interest credit) = Elderly of $15,600 or less and families of $11,200 or less.

D. Towns must be 10,000 or under in population or up to 20,000 if rural in character and have a lack of mortgage money. Also the proposed housing must meet local market needs (through an applicant's survey).

E. Loan Options

1. Market Rate - any entity may apply; interest rate is current 9 percent.
    a. Any senior citizens and families $15,600 or less AFI.
2. Plan I Interest Credit
    a. Borrowers: Broad Based Non-Profits only.
    b. Tenants: Seniors = $15,600 or families $11,200.
    c. Interest: 3 percent.
3. Plan II Interest Credit
    a. Borrowers: Non-Profits, Housing Authorities, Limited Profits.

b. Tenants: Any seniors, or families $11,200 or less.

c. Interest: At least 1 percent but depends on renters income. Tenants pay base of 1 percent or 25 percent Adjusted Family Income (AFI) whichever is greater.

4. Tandem HUD Section 8 / FmHA 515

a. Borrowers: Non-Profits, Housing Authorities, Limited Profits.

b. Tenants: Family and elderly with gross income of 80 percent of county median income; adjusted for family size.

c. Interest: 1 percent below current market rate.

5. Section 8 / 515 Market Rate

a. Market rate: any borrowers.

b. Tenants - 80 percent County Median Income.

c. Market rate interest. (9 percent)

6. 515 FmHA Rental Assistance (must be paired with Plan II)

a. Tenants: Income of $11,200 or less.

b. Interest - Plan II - Tenant Pays 25 percent AFI for gross rent (rest of costs are subsidized to borrower).

c. This is FmHA's only deep subsidy rental program.

7. 515 / Unit size limits

Type of Unit	Maximum Living Area
One bedroom units	570 - 700 square feet
Two bedroom units	700 - 850 square feet
Three bedroom units	850 - 1,020 square feet
Four bedroom units	1,020 - 1,200 square feet

/(Townhouses may be up to 12 percent larger but only to the extent necessary to accommodate interior staircases.)/

RENTAL ASSISTANCE PROGRAM

Low-income rural families, including senior citizens, may pay reduced monthly rents for apartments they occupy under a rental assistance program available through the Farmers Home Administration (FmHA). The program is designed to reduce out-of-pocket cash low-income families pay for rent, including utilities.

Families must be residents of rental housing projects financed by FmHA eligible to participate in the program.

What Tenants are Eligible?

Low-income senior citizens or families with rents that exceed 25 percent of their adjusted annual income can qualify for rental assistance. There is a $10,000 ceiling on the adjusted income of eligible families.

What Borrowers and Projects are Eligible?

All FmHA financed labor housing loan and/or grant recipients who are public bodies, broad-based nonprofit organizations, or nonprofit organizations of farm workers are eligible to participate in the program. Rural rental housing loan borrowers who agree to operate the housing on a limited profit or nonprofit basis can also participate.

An eligible borrower who does not participate in the program may be petitioned to participate by 20 percent or more of the tenants eligible for rental assistance. An appeals procedure is provided for both tenants and owners who seek to participate in the rental assistance program and are turned down.

More About Eligible Projects

Applicants for FmHA labor housing loans and/or grants, and rural rental housing loans may utilize the rental assistance program.

Those applicants, however, with rental housing projects to be financed by FmHA but using Department of Housing and Urban Development (HUD) Section 8 programs for new construction may not meet qualifications to participate in the rental assistance program. On the other hand, eligible FmHA borrowers using HUD's Section 8 housing assistance payments for existing housing may participate in the FmHA rental assistance program.

How Much Assistance Can a Family Receive?

The amount of rental assistance a family living in an FmHA rental project will receive depends upon how the project was funded by Farmers Home Administration. For instance, families living in projects operating on Interest Credit Plan II will recieve rental assistance based on the difference between 25 percent of the family's adjusted monthly income and the *approved basic rent for the unit*. Those families living in projects financed with direct rural rental housing loans, insured rural rental housing loans (approved prior to August 1, 1968) and in eligible labor housing units will receive rental assistance based on the difference between 25 percent of the family's adjusted monthly income and the *approved market rent for the unit*.

Will Priorities Be Established?

Each FmHA State office has a limited amount of assistance available. As a result, rental assistance may not be available to all eligible tenants.

Initially, priority will be given to families in existing projects who are paying the highest percentage of income toward rent. In new projects, priority will be based on the date a request for rental assistance is made to FmHA by the borrower (project owner) or roughly first come, first serve, however, FmHA in considering retargeting to areas of greatest need.

Borrower Responsibility

Successful operation of the program rests in large measure upon the borrower. Among his many responsibilities are these:

-- When utilities are paid by the tenant and 25 percent of the tenant's monthly adjusted income is less than the allowance for utilities, the borrower must use rental assistance payments to reimburse the family the difference.

-- Initially and annually, borrowers must submit a "Tenant Certification" for each tenant.

-- Borrowers must verify income reported by tenants.

-- Borrowers must have their operating budgets approved by FmHA to be eligible for rental assistance.

-- Borrowers must have an approved lease with the family receiving rental assistance.

Terms of the Rental Assistance Agreement

The term of the rental assistance agreement for new construction is 20 years, and 5 years for existing projects. Agreements can be renewed for periods up to 5 years.

Where Do you Apply?

A borrower with an eligible project should apply at the Farmers Home Administration county office serving the area where the housing is located. Applicants seeking rental or labor housing financing through FmHA should apply for rental assistance at the same time, if it will be needed in the area to assist low-income families in paying the proposed rents.

FARM LABOR HOUSING LOANS

The Farmers Home Administration makes loans and grants to finance low-rent housing for domestic farm laborers. Each person or group applying for credit must be given equal consideration without regard to race, color, creed, sex, or national origin. Grants also may be available.

How may funds be used?

Funds may be used to build, buy, improve, or repair farm labor housing and to provide related facilities. They also may be used to buy building sites, purchase basic durable household furnishings; and develop water, sewage disposal, heating and lighting systems. Funds cannot be used to refinance debts.

Who may borrow?

A Loan may be made to an individual farmowner, association of farmers, State or political subdivision, broad-based public or private nonprofit organization, or a nonprofit organization of farmworkers. To be eligible an applicant must:

1. Be unable to obtain funds from private lenders on terms and conditions the borrower can reasonably be expected to meet.
2. Have authority to obtain, give security for, and raise revenue to repay the loan.
3. Have sufficient income to make loan payments, pay insurance premimums, taxes, maintenance, and to otherwise carry out a sound operation.

A Grant may be made to a State political subdivision, a broadly based nonprofit organization, or a nonprofit organization of farmworkers. To be eligible an applicant must:

1. Be unable to provide necessary housing from its own resources, including a Farmers Home Administration labor housing loan.
2. Have adequate initial operating capital and, after the project is completed, have income needed for a sound operation.
3. Possess the legal capacity to contract for a grant.

Terms for Financial Assistance

1. *Interest rates for loans*--The interest rate is 1 percent a year on the unpaid principal. The maximum term is 33 years or the useful life of the security, whichever is less. Each borrower is expected to refinance the unpaid balance of the loan when able to obtain such financing at reasonable rates and terms from other leaders.

2. *Limits on size of loan*

A loan to an organization may not exceed the estimated replacement value of the completed housing financed with the loan or the cost of construction, whichever is less.

Except for public bodies, projects generally should not exceed 50 units or $500,000 in development costs. The Farmers Home Administration will make an appraisal of the security property to determine its value.

What security is required?

Each loan will be adequately secured to protect the Government's interest. A loan to an individual will be secured by a lien on the farm. For an organization, a mortgage will be taken on the housing, including the site and related facilities. When necessary, other security may be required.

Who may occupy the housing?

Domestic farm laborers and their families will occupy the housing. No discrimination will be permitted in the occupancy of the housing because of race, color, creed, sex, or national origin.

What housing standards must be met?

Buildings, water, sewage disposal, heating and electrical systems must be well constructed and conform with applicable laws, ordinances, codes, regulations, and Farmers Home Administration requirements. Borrowers and contractors must provide equal employment opportunities to all persons working on the project without regard to race, color, creed, sex, or national origin.

What type of housing may be constructed?

Housing will be modest in size and cost but adequate to meet family needs. The housing usually will be multifamily units, apartments, or dormitory-type units, and may include related facilities such as community rooms, health and recreation centers, kitchens, dining halls, and child-care facilities.

Except for loans to individual farmowners for labor housing on their farms, housing must be located near essential community facilities and on all-weather public roads.

How will planning and construction be performed?

Applicants are expected to supply detailed building plans, specifications, and cost estimates. The Farmers Home Administration reviews the plans and inspects the construction as it progresses to help the borrower obtain sound and acceptable housing. Loan funds will be disbursed under FmHA supervision.

When can construction start?

The borrower must wait until the loan is closed before starting construction or incurring debts for material or labor.

How does this program aid in rural development?

Providing decent housing for domestic farm labor fills a primary need for shelter in many agricultural areas, helps balance out the facilities of rural communities, and makes them more desirable places in which to live. The construction of the housing also provides employment for carpenters, plumbers, masons, and others and boosts sales of construction material and household furnishing.

SUMMARY
FARMERS HOME ADMINISTRATION
SELF-HELP TECHNICAL ASSISTANCE GRANTS
Section 523

Purpose:

This program is authorized to provide organizations with the financial assistance necessary to pay the cost of developing, administering, or coordinating programs (of technical and supervisory assistance) which will aid low-income families in carrying out self-help housing efforts in rural areas. Funds may be used to hire personnel, pay office expenses, purchase office supplies, pay workmen's compensation, liability insurance, employer's share of social security, travel and training, purchase and rent power tools, pay for training or for technical and consultant services.

Terms:

The initial grant may not exceed $100,000 unless authorized by the National Office. Initial grant covers a period of no more than two years.

Security:

No security is required since this is a grant.

Borrower Eligibility:

Public bodies, and nonprofit corporations are eligible.

Other Conditions:

If the applicant is a private nonprofit corporation it should be organized for the primary purpose of assisting low- and moderate-income families to obtain adequate housing and have local representation among it membership. If the applicant lacks proven ability to perform responsibly in the field of self-help or other business management or administrative ventures, it must be sponsored by an organization which has such background.

SUMMARY
FARMERS HOME ADMINISTRATION
RURAL HOUSING SITE LOANS
Sections 523 and 524

Purpose and Description:

Rural housing site loans designed to assist public or private nonprofit organizations to provide housing sites for low and moderate income families. The loans are developed under two authorities.

1. Section 523 rural housing site loans are for the exclusive use of self-help housing participants.

2. Section 524 rural housing site loans are available to provide lots for low and moderate income families in general.

The FmHA site loan program is underused primarily because its requirements are difficult. Any organization which plans to construct housing in a subdivision of five or more units must provide the information required by FmHA site policy (Instruction 424.5). When details for that requirement have been approved, an application for a rural housing site loan has been essentially completed.

Eligible Borrowers:

Eligible applicants for rural housing site loans include: public nonprofit organizations, including municipal corporations, housing authorities, and other corporate agencies of state and local governments; established private nonprofit corporations, whose membership includes some local community leaders; newly organized private nonprofit corporations which include at least 10 local community leaders.

Eligible Uses:

Site loans may be used for the purchase and development of adequate sites, including the construction of essential access roads, streets, utility lines, and necessary equipment which will become a permanent part of the development. If public water and waste disposal facilities are not available and cannot reasonable be provided on a community basis with other financing (including FmHA Water and Waste Disposal Association loans) funds may be included for this purpose. The payment of necessary engineering fees, legal fees, and closing costs are permitted along with the payment of the actual cash cost of incidental administrative expenses (such as postage, telephone advertising, and temporary secretarial help), if funds to pay these expenses are not available. The provision of landscaping and other necessary facilities related to building such as walks, parking area, and driveways can also be included.

Loan Limitations:

No loan may exceed development cost.

No loan may result in applicants owing an unpaid principal balance of more than $100,000 without prior authorization from the national FmHA office.

No loan may be made for:

1. purchase of land in excess of the immediate and identified needs of the locality;
2. purchase of land from a member of an applicant organization;
3. refinancing of debts;
4. payment of any fee, charge, or commission to any broker, negotiator or other person for the referral of a prospective application or solicitation of a loan;
5. payment of any fee, salary, commission, profit, or compensation to an applicant, or to any officer, stockholder, member or agent of applicant;
6. development of 10 or more single family sites or 25 or more multi-family units, without A-95 clearance.

Sale of Developed Sites:

Sites developed with a Section 523 RHS loan must be sold to families participating in a self-help housing project.

Sites developed with a Section 524 RHS loan may be sold to low and moderate income families, nonprofit organizations, public agencies, and cooperatives.

Rates and Terms:

The interest rate for Section 523 loans is a constant 3 percent, while Section 524 loans are made at market rate. The loan is scheduled for final payment within two years of closing.

Comments:

For Section 523 RHS loans FmHA requires applicants to demonstrate an almost guaranteed market of self-help families. A Section 523 applicant must be able to provide a definite and immediate prospect for selling all lots to self-help housing participants. The result of this policy has been that the 523 site loan program has been extremely under-utilized.

SUMMARY FARMERS HOME ADMINISTRATION SELF-HELP HOUSING PROGRAMS
Combining Section 523 Site Development Loans
and T/A Grants and Section 502 Homeownership Loans

Description:

A self-help program involves a group of families helping each other under the guidance of a construction expert. Utilizing FmHA loans, homes may be built in open areas and in towns up to 10,000 population which are not a part of urban areas. The individual mortgages are financed under the FmHA 502 homeownership program.

Eligibility:

Any small group of low income families may qualify, providing they cannot individually afford to build modest homes by customary methods. Each family must be able to pay the loan for the cash cost of the house. Groups are formed by finding six to ten families in the area interested in self-help housing who cannot afford a modest house by customary methods. If an individual does not know of others interestediin self-help, a contact with the FmHA county supervisor or a community housing committee may reveal other interested families.

Group Member Requirements:

Members must agree to -

- work as a group under the guidance of a construction supervisor;
- work the hours required to complete the houses;
- attend all preconstruction meetings;
- build only modest, adequate housing;
- build their houses in the same community;
- carry out all responsibilities of home ownership after housing is completed.

Sharing Labor and Costs:

1. A nonprofit organization qualifying for a Section 523 technical assistance grant will hire a construction supervisor for the project.

2. Basic plans and construction methods will be standardized as much as possible.

3. Materials may be purchased in quantity on a group basis.

4. Group will decide how members will share labor, how records will be kept or time worked, and how labor will be exchanged on a basis fair to all members.

5. Construction will involve as much on-site work as practicable.

6. Depending on skills of participants, group may decide to do all the construction or contract for such work as plumbing, wiring, etc.

7. Construction of houses will be done only in stages. Each stage of construction will be finished (if practical) on all houses before starting the next stage.

8. The group may be divided into teams on the basis of skills, compatibility, and availability.

9. Families will move into the new homes only after the completion of all houses in the project.

APPENDIX E

PROGRAM ORIENTATION
FARMERS HOME ADMINISTRATION

Community Facilities
- Loans
- Grants

Business & Industrial
- Loans
- Grants

John F. Boyer, Jr.
Economic Development Specialist
Bureau of Planning
Pa. Department of Community Affairs
551 Forum Building
Harrisburg, Pennsylvania 17120
(717) 787-7400

ORIENTATION

Farmers Home Administration Programs

A. Scope

1. Community Facilities - Loans and Grants

2. Business and Industrial - Loans and Grants

B. Community Facilities - Loans: Detailed instructions regarding Loans and Grants (for applicants architects, engineers and financial consultants) are contained in Subpart A, FmHA regulation 1942, effective 2/1/79 (formerly Subpart A, FmHA regulation 1933).

1. Appropriations FY/79

   a. Water and Sewer Facility Loans $40,940,000 FY '79.
   $30,155,000 FY '80.
   b. Other Community Facility Loans $10,650,000 FY '79.
   $ 9,000,000 FY '80.
   c. Note: Additional loan funds may be available from the National Pool depending on timing and Project merits relative to Nationwide priorities.

2. Rates and Terms - 5% interest - up to 40 years relative to the useful life of the Facility.

C. Community Facilities - Grants:

1. Grant funds are available for Water and Sanitary Sewer Projects ONLY. Grant assistance for up to 75% of eligible Project costs is available to the most financially needy communities to reduce user costs to a reasonable level relative to the median income for the area.

2. Appropriation FY/79 - $12,150,000
   FY/80 - $12,905,000

D. Eligibility Criteria

1. WHAT - Water, Sanitary sewer and storm sewer systems; solid waste disposal systems; fire and rescue vehicles and facilities; transportation; traffic control; community medical facilities; libraries; community buildings; industrial park sites including land acquisition and improvements and utility extensions when an integral part of Community Development -- NO on site utilities on building construction.

2. WHO - Political subdivisions, e.g. county, borough, township, and other non-profit entities such as Authorities, Community Action Agencies which have close ties to the general public.

Priority will be given to Public Bodies. The Applicant Agency must have the legal authority to construct, operate, manage, maintain, and to repay the loan. Third party leases are conditionally acceptable.

3. WHERE - Rural America - 10,000 population and under

4. Other Criteria

   a. Certification that needed funds are not available from other sources at reasonable rates and terms.

   b. Agreement to refinance at FmHA request - when reasonable rates and terms are available.

E. Project Priority Criteria - FmHA Investment Strategy

   1. General Considerations

      a. State Development Strategies - i.e., OSPD, Development Opportunities; Regional Clearinghouse priorities; County Comprehensive Plans; A-95 Review Process.

      b. Low Income Population/Financial Need - unemployment, underemployment, poverty - based on DOL statistics.

   2. Specific Emphasis

      a. Inadequate Water and Sewer Systems - in Rural Communities under 5,500 population where:

         1) Immediate Action is necessary due to unanticipated deterioration of the quantity and/or quality of the Water Supply.

         2) Unexpected occurrances which require upgrading waste disposal systems.

      b. Enlarge, Extend, Modify Water/Sewer systems to serve additional rural residents.

      c. Merging of smaller systems to provide for economical and efficient service.

      d. To facilitate the orderly and timely development of FmHA funded Housing.

F. Application Process

   1. Preapplication - form AD621; Notification for A-95 Review, form 424; and an Environmental Impact Evaluation form 449-10 are completed for submission to the FmHA County Supervisor. The

County Supervisor with support, if necessary, from the District Office will assist the applicant in completing the Preapplication pocket for submission to the County Office.

2. The County Supervisor forwards the Preapplication to the District Office with his comments. The District Office reviews the Preapplication and forwards it to the State Office with recommendations for Approval/Disapproval.

3. The State Office reviews the Preapplication in light of District recomendations, eligibility, other available credit and availability of FmHA funds. Form AD622 is sent to the applicant Agency within 45 days of application date indicating FmHA response to the Preapplication. If advised to proceed with a full application:

4. Application Conference - held at District Office with Applicant Agency and their professional/technical consultants.

5. Application Submitted to District Office.

6. Approval/Disapproval - by State Office - Timing one month - six month depending on Project Complexity, applications completeness and timing relative to other applications.

7. Letter of Conditions - if approved, outlining the amount of Loan/Grant as well as other conditions to be agreed to by the applicant.

8. Interim Financing - FmHA Loan closed when project complete - advances possible in project over $50,000 when interim commercial credit not available.

9. Preconstruction Conference - prior to beginning construction, FmHA reviews Project with Applicant, engineer, resident inspector, attorney and contractor.

10. Resident Inspector - full time required by FmHA.

11. Financial Accountability - acceptable and approved financial management practices will be followed - District Director will review.

12. Loan Closing - Loan Resolutions assuring Applicant Compliance with certain FmHA Loan provisions will be adopted by the Applicant

G. Miscellaneous

1. 100 year Flood Plain - No Project funded - possible exception for certain water/sewer facilities.

2. Water Systems - Provide for water quality in accordance with PDWR - Safe Drinking Water Act 1974.

3. Sanitary Sewer Systems - in accordance with EPA/DER Standards

4. FmHA Technical Guides - available for preliminary architectural/ engineering reports for Water/Sewer solid waste and other Community Facility Projects.

H. Related Program/Agencies/Funding Sources:

1. U.S. Environmental Protection Agency (EPA)-75% Grant of eligible costs in Sanitary Waste Treatment Facilities-85% Grant for qualifying Innovative and Alernative Systems. Applicants qualify based on "priority points" assigned by State.

2. Pennsylvania Department of Environmental Resources (DER)-DER participates with grants in two areas. They grant ½ of the local share of "Step I" Facility Planning Costs. Secondly, a 5% supplemental Grant for Step III Construction is given to economically depressed Communities. Community Median income must be less than 80% of the State median income. The proposed sewer user fee and the ratio of local share to market value of Community real estate are also considered.

3. U.S. Department of Housing and Urban Development (HUD)-The "Small Cities" Program Grants of up to 100% are possible for various Community Facility Projects including water and sewer qualifying by HUD criteria. Competition for these funds is keen.

4. Pennsylvania Department of Commerce - Community Facilities Grants of 50% or $50,000 are possible. (Harness Racing Tax Funds) for Water/Sewer Projects. Interim Financing required.

5. Appalachian Regional Commission (ARC) - Grants available to eligible communities in varying amounts for various Community Facilities Projects. Grants of 5% for wastewater treatment facilities are common.

6. Other Federal Agencies - such as the HEW and CSA participate in some particular County Facilities such as medical facilities and Social Service Centers. FAPRS access available through SAPDC or Pennsylvania State University Extension Field Personnel.

I. Business and Industrial Grants - Detailed Instructions contained in FmHA Regulations/Instruction 442.12 and 442.12 Appendix A.

1. Appropriation FY '79 - $385,000 Appropriation FY '80 - $380,000

2. Eligibility Criteria

   a. WHAT - Acquisition and development of land and the construction conversion, enlargement repairs at modernization of buildings, plants, machinery, equipment, access streets and roads, parking areas, transportation serving the site, utility extensions necessary water supply and waste disposal facilities, pollution control and abatement incidental to site development, fees interest on interim financing and refinancing for debts incurred by on behalf of the applicant for the facility in question when creditor cannot extend terms of existing debt.

b. WHO - Public bodies in rural areas such as boroughs, counties, townships, and authorities. Public Body must retain ownership of grant assisted facility.

c. WHERE - Rural areas outside cities of 50,000 or more and outside adjacent urbanized areas with a density of 100 persons per square mile or more. Priority to areas under 25,000.

d. Miscellaneous Criteria

1) Grants will be made only where there is a reasonable prospect that they will result in development of private business enterprise.

2) Retention and/or creation of jobs paramount.

3) Grant funds will not be used for Administrative Costs.

3. Application Process - essentially the same as for Community Facility

J. Related Programs/Agencies/Funding Sources:

1. U.S. Department of Housing and Urban Development (HUD)- Urban Development Action Grants (UDAG) are available to leverage private industry capital (currently 5:1) to support improving Business and Industry climate.

2. Pennsylvania Department of Commerce -

a. Site Development Grant - 50% not to exceed $80,000, Average $45,000.

K. Business and Industrial Loans - detailed instructions included in Subparts A & E FmHA Regulation 1980.

1. Appropriation FY '79 $41,190,000. Appropriation FY '80 $ 41,190,000

2. Rates and Terms

   a. Loan Guarantee of up to 90% of principal. note: Applicants for loans under $500,000 are advised to contact SBA.

   b. Minimum 10% applicant equity.

   c. One-time guarantee fee -- 1% of principal times percentage of guarantee (e.g. $100,000 loan 90% guarantee -- 1% X 100,000 = $1,000 X 90% = $900 guarantee fee) paid by lender but usually passed onto borrower as part of loan.

   d. Up to 30 years for land, buildings and permanent fixtures.

   e. Up to 15 years for machinery or equipment.

   f. Up to 7 years for working capital.

   g. Interest rate - negotiable between private lender and borrower- fixed or variable.

3. Eligibility Criteria

   a. WHAT - Preserve and/or create JOBS:

      1. Construction, Conversion, acquisition and modernization of facilities.

      2. Purchase and development of land easements, equipment, facilities, machinery supplies or materials.

      3. Working Capital

   b. WHO - any taxable legal entity including individuals - NO non-profits.

   c. WHERE - outside cities of 50,000 or more and outside adjacent urbanized and urbanizing areas where ther are population densities of more than 100 persons per square mile -- Priority to open county and rural communities of 25,000 and smaller.

4. Application Process - Program Specific requirements necessary for the completion of Preapplication - See Checklist.

L. Related Programs/Agencies/Funding Sources

1. Pennsylvania Department of Commerce

a. Revenue Bond and Mortgage Program - Authorizes local Industrial Authorities to make tax free, lower interest loans from private lenders on behalf of private borrowers.

b. Pennsylvania Industrial Development Authority (PIDA) - Construction Loans to local Industrial Authorities - 40% of Project

2. U.S. Department of Commerce - Small Business Administration (SBA) - provides loan guarantees to private lenders for private borrowers similiar to FmHA.

OMB Approval No. 80–R0170

PREAPPLICATION FOR FEDERAL ASSISTANCE

FEDERAL ASSISTANCE

1. TYPE OF ACTION *(Mark appropriate box)*
☐ PREAPPLICATION
☐ APPLICATION
☐ NOTIFICATION OF INTENT (Opt.)
☐ REPORT OF FEDERAL ACTION

2. APPLICANT'S APPLICATION
a. NUMBER
b. DATE *Year month day* 19

3. STATE APPLICATION IDENTIFIER
a. NUMBER
b. DATE ASSIGNED *Year month day* 19

Leave Blank

SECTION I—APPLICANT/RECIPIENT DATA

4. LEGAL APPLICANT/RECIPIENT
a. Applicant Name :
b. Organization Unit :
c. Street/P.O. Box :
d. City :
e. County :
f. State :
g. ZIP Code:
h. Contact Person *(Name & telephone No.)* :

5. FEDERAL EMPLOYER IDENTIFICATION NO.

6. PROGRAM *(From Federal Catalog)*
a. NUMBER ☐☐•☐☐☐
b. TITLE

7. TITLE AND DESCRIPTION OF APPLICANT'S PROJECT

8. TYPE OF APPLICANT/RECIPIENT
A–State
B–Interstate
C–Substate District
D–County
E–City
F–School District
G–Special Purpose District
H–Community Action Agency
I–Higher Educational Institution
J–Indian Tribe
K–Other *(Specify)*:
Enter appropriate letter ☐

9. TYPE OF ASSISTANCE
A–Basic Grant
B–Supplemental Grant
C–Loan
D–Insurance
E–Other
Enter appropriate letter(s) ☐☐

10. AREA OF PROJECT IMPACT *(Names of cities, counties, States, etc.)*

11. ESTIMATED NUMBER OF PERSONS BENEFITING

12. TYPE OF APPLICATION
A–New
B–Renewal
C–Revision
D–Continuation
E–Augmentation
Enter appropriate letter ☐

13. PROPOSED FUNDING

a. FEDERAL	$	.00
b. APPLICANT		.00
c. STATE		.00
d. LOCAL		.00
e. OTHER		.00
f. TOTAL	$	.00

14. CONGRESSIONAL DISTRICTS OF:
a. APPLICANT
b. PROJECT

15. TYPE OF CHANGE *(For 12c or 12e)*
A–Increase Dollars
B–Decrease Dollars
C–Increase Duration
D–Decrease Duration
E–Cancellation
F–Other *(Specify)*:
Enter appropriate letter(s) ☐☐☐

16. PROJECT START DATE *Year month day* 19

17. PROJECT DURATION *Months*

18. ESTIMATED DATE TO BE SUBMITTED TO FEDERAL AGENCY ▶ *Year month day* 19

19. EXISTING FEDERAL IDENTIFICATION NUMBER

20. FEDERAL AGENCY TO RECEIVE REQUEST *(Name, City, State, ZIP code)*

21. REMARKS ADDED
☐ Yes ☐ No

SECTION II—CERTIFICATION

22. THE APPLICANT CERTIFIES THAT ▶

a. To the best of my knowledge and belief, data in this preapplication/application are true and correct, the document has been duly authorized by the governing body of the applicant and the applicant will comply with the attached assurances if the assistance is approved.

b. If required by OMB Circular A-95 this application was submitted, pursuant to instructions therein, to appropriate clearinghouses and all responses are attached:

	No response	*Response attached*
(1)	☐	☐
(2)	☐	☐
(3)	☐	☐

23. CERTIFYING REPRESENTATIVE
a. TYPED NAME AND TITLE
b. SIGNATURE
c. DATE SIGNED *Year month day* 19

SECTION III—FEDERAL AGENCY ACTION

24. AGENCY NAME

25. APPLICATION RECEIVED *Year month day* 19

26. ORGANIZATIONAL UNIT

27. ADMINISTRATIVE OFFICE

28. FEDERAL APPLICATION IDENTIFICATION

29. ADDRESS

30. FEDERAL GRANT IDENTIFICATION

31. ACTION TAKEN
☐ a. AWARDED
☐ b. REJECTED
☐ c. RETURNED FOR AMENDMENT
☐ d. DEFERRED
☐ e. WITHDRAWN

32. FUNDING

a. FEDERAL	$	.00
b. APPLICANT		.00
c. STATE		.00
d. LOCAL		.00
e. OTHER		.00
f. TOTAL	$	.00

33. ACTION DATE ▶ *Year month day* 19

34. STARTING DATE *Year month day* 19

35. CONTACT FOR ADDITIONAL INFORMATION *(Name and telephone number)*

36. ENDING DATE *Year month day* 19

37. REMARKS ADDED
☐ Yes ☐ No

38. FEDERAL AGENCY A-95 ACTION

a. In taking above action, any comments received from clearinghouses were considered. If agency response is due under provisions of Part 1, OMB Circular A-95, it has been or is being made.

b. FEDERAL AGENCY A-95 OFFICIAL *(Name and telephone no.)*

424–101 FORM AD-621 (REVISED 6-78) PAGE 1

STANDARD FORM 424 PAGE 1 (10–75)
Prescribed by OMB, Circular A–102

SECTION IV—REMARKS *(Please reference the proper item number from Sections I, II or III, if applicable)*

U.S. DEPARTMENT OF AGRICULTURE

PREAPPLICATION FOR FEDERAL ASSISTANCE

GENERAL INSTRUCTIONS

This is a multi-purpose standard form. First, it will be used by applicants as a required facesheet for pre-applications and applications submitted in accordance with OMB Circular A–102. Second, it will be used by Federal agencies to report to Clearinghouses on major actions taken on applications reviewed by clearinghouses in accordance with OMB Circular A–95. Third, it will be used by Federal agencies to notify States of grants-in-aid awarded in accordance with Treasury Circular 1082. Fourth, it may be used, on an optional basis, as a notification of intent from applicants to clearinghouses, as an early initial notice that Federal assistance is to be applied for (clearinghouse procedures will govern).

APPLICANT PROCEDURES FOR SECTION I

Applicant will complete all items in Section I. If an item is not applicable, write "NA". If additional space is needed, insert an asterisk "*", and use the remarks section on the back of the form. An explanation follows for each item:

Item

1. Mark appropriate box. Pre-application and application guidance is in OMB Circular A-102 and Federal agency program instructions. Notification of intent guidance is in Circular A–95 and procedures from clearinghouse. Applicant will not use "Report of Federal Action" box.

2a. Applicant's own control number, if desired.

2b. Date Section I is prepared.

3a. Number assigned by State clearinghouse, or if delegated by State, by areawide clearinghouse. All requests to Federal agencies must contain this identifier if the program is covered by Circular A–95 and required by applicable State/areawide clearinghouse procedures. If in doubt, consult your clearinghouse.

3b. Date applicant notified of clearinghouse identifier.

4a–4h. Legal name of applicant/recipient, name of primary organizational unit which will undertake the assistance activity, complete address of applicant, and name and telephone number of person who can provide further information about this request.

5. Employer identification number of applicant as assigned by Internal Revenue Service.

6a. Use Catalog of Federal Domestic Assistance number assigned to program under which assistance is requested. If more than one program (e.g., joint-funding) write "multiple" and explain in remarks. If unknown, cite Public Law or U.S. Code.

6b. Program title from Federal Catalog. Abbreviate if necessary.

7. Brief title and appropriate description of project. For notification of intent, continue in remarks section if necessary to convey proper description.

8. Mostly self-explanatory. "City" includes town, township or other municipality.

9. Check the type(s) of assistance requested. The definitions of the terms are:

- A. Basic Grant. An original request for Federal funds. This would not include any contribution provided under a supplemental grant.
- B. Supplemental Grant. A request to increase a basic grant in certain cases where the eligible applicant cannot supply the required matching share of the basic Federal program (e.g., grants awarded by the Appalachian Regional Commission to provide the applicant a matching share).
- C. Loan. Self explanatory.

Item

- D. Insurance. Self explanatory.
- E. Other. Explain on remarks page.

10. Governmental unit where significant and meaningful impact could be observed. List only largest unit or units affected, such as State, county, or city. If entire unit affected, list it rather than subunits.

11. Estimated number of persons directly benefiting from project.

12. Use appropriate code letter. Definitions are:

- A. New. A submittal for the first time for a new project.
- B. Renewal. An extension for an additional funding/budget period for a project having no projected completion date, but for which Federal support must be renewed each year.
- C. Revision. A modification to project nature or scope which may result in funding change (increase or decrease).
- D. Continuation. An extension for an additional funding/budget period for a project the agency initially agreed to fund for a definite number of years.
- E. Augmentation. A requirement for additional funds for a project previously awarded funds in the same funding/budget period. Project nature and scope unchanged.

13. Amount requested or to be contributed during the first funding/budget period by each contributor. Value of in-kind contributions will be included. If the action is a change in dollar amount of an existing grant (a revision or augmentation), indicate only the amount of the change. For decreases enclose the amount in parentheses. If both basic and supplemental amounts are included, breakout in remarks. For multiple program funding, use totals and show program breakouts in remarks. Item definitions: 13a, amount requested from Federal Government; 13b, amount applicant will contribute; 13c, amount from State, if applicant is not a State; 13d, amount from local government, if applicant is not a local government; 13e, amount from any other sources, explain in remarks.

14a. Self explanatory.

14b. The district(s) where most of actual work will be accomplished. If city-wide or State-wide, covering several districts, write "city-wide" or "State-wide."

15. Complete only for revisions (item 12c), or augmentations (item 12e).

Item	
16.	Approximate date project expected to begin (usually associated with estimated date of availability of funding).
17.	Estimated number of months to complete project after Federal funds are available.
18.	Estimated date preapplication/application will be submitted to Federal agency if this project requires clearinghouse review. If review not required, this date would usually be same as date in item 2b.
19.	Existing Federal identification number if this is not a new request and directly relates to a previous Federal action. Otherwise write "NA".
20.	Indicate Federal agency to which this request is addressed. Street address not required, but do use ZIP.
21.	Check appropriate box as to whether Section IV of form contains remarks and/or additional remarks are attached.

APPLICANT PROCEDURES FOR SECTION II

Applicants will always complete items 23a, 23b, and 23c. If clearinghouse review is required, item 22b must be fully completed. An explanation follows for each item:

Item	
22b.	List clearinghouses to which submitted and show in appropriate blocks the status of their responses. For more than three clearinghouses, continue in remarks section. All written comments submitted by or through clearinghouses must be attached.
23a.	Name and title of authorized representative of legal applicant.
23b.	Self explanatory.
23c.	Self explanatory.
Note:	Applicant completes only Sections I and II. Section III is completed by Federal agencies.

FEDERAL AGENCY PROCEDURES FOR SECTION III

If applicant-supplied information in Sections I and II needs no updating or adjustment to fit the final Federal action, the Federal agency will complete Section III only. An explanation for each item follows:

Item	
24.	Executive department or independent agency having program administration responsibility.
25.	Self explanatory.
26.	Primary organizational unit below department level having direct program management responsibility.
27.	Office directly monitoring the program.
28.	Use to identify non-award actions where Federal grant identifier in item 30 is not applicable or will not suffice.
29.	Complete address of administering office shown in item 26.
30.	Use to identify award actions where different from Federal application identifier in item 28.
31.	Self explanatory. Use remarks section to amplify where appropriate.
32.	Amount to be contributed during the first funding/budget period by each contributor. Value of in-kind contributions will be included. If the action is a change in dollar amount of an existing grant (a revision or augmentation), indicate only the amount of change. For decreases, enclose the amount in parentheses. If both basic and supplemental amounts are included, breakout in remarks. For multiple program funding, use totals and show program breakouts in remarks. Item definitions: 32a, amount awarded by Federal Government; 32b, amount applicant will contribute; 32c, amount from State, if applicant is not a State; 32d, amount from local government if applicant is not a local government; 32e, amount from any other sources, explain in remarks.
33.	Date action was taken on this request.
34.	Date funds will become available.
35.	Name and telephone no. of agency person who can provide more information regarding this assistance.
36.	Date after which funds will no longer be available.
37.	Check appropriate box as to whether Section IV of form contains Federal remarks and/or attachment of additional remarks.
38.	For use with A-95 action notices only. Name and telephone of person who can assure that appropriate A-95 action has been taken—If same as person shown in item 35, write "same". If not applicable, write "NA".

Federal Agency Procedures—special considerations

A. *Treasury Circular 1082 compliance.* Federal agency will assure proper completion of Sections I and III. If Section I is being completed by Federal agency, all applicable items must be filled in. Addresses of State Information Reception Agencies (SCIRA's) are provided by Treasury Department to each agency. This form replaces SF 240, which will no longer be used.

B. *OMB Circular A-95 compliance.* Federal agency will assure proper completion of Sections I, II, and III. This form is required for notifying all reviewing clearinghouses of major actions on all programs reviewed under A-95. Addresses of State and areawide clearinghouses are provided by OMB to each agency. Substantive differences between applicant's request and/or clearinghouse recommendations, and the project as finally awarded will be explained in A-95 notifications to clearinghouses.

C. *Special note.* In most, but not all States, the A-95 State clearinghouse and the (TC 1082) SCIRA are the same office. In such cases, the A-95 *award* notice to the State clearinghouse will fulfill the TC 1082 award notice requirement to the State SCIRA. Duplicate notification should be avoided.

U.S. DEPARTMENT OF AGRICULTURE

OMB NO. 80-R0187

PREAPPLICATION FOR FEDERAL ASSISTANCE

PART II	(Check one)	
	Yes	No
1. Does this assistance request require State, local, regional or other priority rating?		
2. Does this assistance require State or local advisory, educational or health clearance?		
3. Does this assistance request require Clearinghouse review?		
4. Does this assistance request require State, local, regional or other planning approval?		
5. Is the proposed project covered by an approved comprehensive plan?		
6. Will the assistance requested serve a Federal installation?		
7. Will the assistance requested be on Federal land or installation?		
8. Will the assistance requested have an effect on the environment?		
9. Will the assistance requested cause the displacement of individuals, families, businesses, or farms?		
10. Is there other related assistance for this project previous, pending, or anticipated?		
11. Is the project in a designated flood hazard area?		

PART III – PROJECT BUDGET

FEDERAL CATALOG NUMBER (a)	TYPE OF ASSISTANCE LOAN, GRANT, ETC. (b)	FIRST BUDGET PERIOD (c)	BALANCE OF PROJECT (d)	TOTAL (e)
1.				
2.				
3.				
4.				
5.				
6. Total Federal Contribution		$	$	$
7. State Contribution				
8. Applicant Contribution				
9. Other Contributions				
10. Totals		$	$	$

PART IV – PROGRAM NARRATIVE STATEMENT

(Attach per instruction)

INSTRUCTIONS

PART II

Negative answers will not require an explanation unless the Federal agency requests more information at a later date. Provide supplementary data for all "Yes" answers in the space provided in accordance with the following instructions:

Item 1 – Provide the name of the governing body establishing the priority system and the priority rating assigned to this project.

Item 2 – Provide the name of the agency or board which issued the clearance and attach the documentation of status or approval.

Item 3 – Attach the clearinghouse comments for the application in accordance with the instructions contained in Office of Management and Budget Circular No. A–95. If comments were submitted previously with a preapplication, do not submit them again but any additional comments received from the clearinghouse should be submitted with this application.

Item 4 – Furnish the name of the approving agency and the approval date.

Item 5 – Show whether the approved comprehensive plan is State, local or regional, or if none of these, explain the scope of the plan. Give the location where the approved plan is available for examination and state whether this project is in conformance with the plan.

Item 6 – Show the population residing or working on the Federal installation who will benefit from this project.

Item 7 – Show the percentage of the project work that will be conducted on federally-owned or leased land. Give the name of the Federal installation and its location.

Item 8 – Describe briefly the possible beneficial and harmful impact on the environment because of the proposed project. If an adverse environmental impact is anticipated, explain what action will be taken to minimuze the impact. Federal agencies will provide separate instructions if additional data is needed.

Item 9 – State the number of individuals, families, businesses, or farms this project will displace. Federal agencies will provide separate instructions if additional data is needed.

Item 10 – Show the Federal Domestic Assistance Catalog number, the program name, the type of assistance, the status and the amount of each project where there is related previous, pending or anticipated assistance. Use additional sheets, if needed.

Item 11 – Contact the Federal agency concerning the provisions of the Flood Disaster protection Act of 1973 (P.L. 93-234).

PART III

Complete: Lines 1-5 – Columns (a)-(e). Enter the catalog numbers shown in the Catalog of Federal Domestic Assistance in Column (a) and the type of assistance in Column (b). For each line entry in Columns (a) and (b), enter in Columns (c), (d), and (e), the estimated amounts of Federal funds needed to support the project. Columns (c) and (d) may be left blank, if not applicable.

Line 6 – Show the totals for Lines 1-5 for Columns (c), (d), and (e).

Line 7 – Enter the estimated amounts of State assistance, if any, including the value of in-kind contributions, in Columns (c), (d), and (e). Applicants which are States or State agencies should leave Line 7 blank.

Line 8 – Enter the estimated amounts of funds and value of in-kind contributions the applicant will provide to the program or project in Columns (c), (d), and (e).

Line 9 – Enter the amount of assistance including the value of in-kind contributions, expected from all other contributors in Columns (c), (d), and (e).

Line 10 – Enter the totals of Columns (c), (d), and (e).

PART IV

The program narrative statement should be brief and describe the need, objectives, method of accomplishment, the geographical location of the project, and the benefits expected to be obtained from the assistance. The statement should be typed on a separate sheet of paper and submitted with the preapplication. Also attach any data that may be needed by the grantor agency to establish the applicant's eligibility for receiving assistance under the Federal program(s).

PA - 1 GUIDE

PREAPPLICATIONS - FmHA INSTRUCTION 1933-J (formerly 442.1)

1 - Form AD-424-621) PREAPPLICATION (1 copy to State Office)
1 copy retained in C/O)

2 - State Clearinghouse Comments (address found in Federal Register 1/10/77)

3 - Regional Clearinghouse Comments (address found in Federal Register 1/10/77)

4 - County Supervisor's Comments

5 - FmHA Form 440-46, Environmental Impact Assessment (Made out by Co. Supv.)

6 - FmHA Form 449-10, Applicant's Environmental Impact Evaluation

7 - Location Map (road map will be o.k.)

8 - Employers Federal Tax IdentificationNumber (obtained from Internal Revenue Service on form SS-4)

Position 3

USDA-FHA
Form FHA 449-10
(5-23-73)

FORM APPROVED
OMB NO. 40-R 3872

APPLICANT'S ENVIRONMENTAL IMPACT EVALUATION

No monies or other benefits may be paid out under this program unless this report is completed and filed as required by existing law and regulations (7 C.F.R. 1980, Supart E).

Name and Address of Applicant (Firm Name) (Steet, City, State and Zip Code)

EMPLOYER ID NO.

FHA CASE NO.

In order to evaluate the specific impact your proposed project will have on the environment, please complete the following items.

Is a Federal waste discharge permit required under the Federal Water Pollution Control Act Amendments of 1972? ☐ Yes ☐ No

If no, complete parts I through VIII. If yes, has an application been made for the permit? ☐ Yes ☐ No

If so, what is the status of that application? ☐ Approved ☐ Pending ☐ Disapproved?

If above application for permit did not cover all facilities in your project please identify those not covered and complete balance of form, as it pertains to those you list. If the application for permit covered all facilities complete Parts I, VI, VII and VIII.

I. GENERAL *(Briefly describe):*

A. Location of facility - Provide map if possible to show project location and areas which might be affected by the facility.

B. Character of the surrounding area (include terrain, population density, etc.)

C. Type of project (nature of activity)

If your project must conform to approved standards established by the Federal or your state or local environmental protection agencies, please identify for each of Parts II (Air), III (Water), IV (Solid) and V (Other) the appropriate regulating agencies and go on to the next section. If you are not required to conform to such standards, please complete all questions to the best of your knowledge in each part for which standards are not set. You may wish to consult with appropriate State or local agencies in preparing your answers.

II. AIR POLLUTION (include name and address of agencies with cognizance over your project. If you must conform to standards set by these agencies, go on to part III.)

Cite this project's:

A. Activities which are likely to produce air pollution such as incinerators, exhaust systems, fossil-fuel burning units, and ventilation systems.

B. Methods and sensor equipment for determining the presence, quantity, and type of air pollutants.

C. Concentrations in parts per million (ppm) of air pollutants such as sulfur dioxide, carbon monoxide, nitrogen dioxide, carbon dioxide, etc.

D. Volatile solvents, types, and how used, as well as handling of discharges.

E. Kind of fuel used in combustion and heating: fossil, liquid, gaseous.

F. Control equipment to remove particulates and efficiency of such equipment.

G. Control equipment to remove gaseous pollutants and efficiency of such equipment.

H. Describe any chemicals used to control pollutants that might themselves cause another form of pollution.

I. List other major contributors, current or planned, associated with project and which may affect the quality and quantity of emissions to the air.

III. WATER POLLUTION (include name and address of agencies with cognizance over your project. If you must conform to standards set by these agencies complete questions B and D, then go on to part IV.)

A. Describe activities that are likely to produce water pollution.

B. Describe water pollution control codes and/or regulations applicable to the project.

C. Describe method and sensor equipment used to determine, quantity, and/or type of water pollution.

D. What levels (concentrations of the following contaminants to result from your project) do your local water pollution standards permit you to discharge in your sewage and/or waste water?

	Discharge expected from your project	Standard		Discharge expected from your project	Standard
Total solids			Acidity		
Heavy metals			Alkalinity		
Organic carbon			pH (hydrogen ion concentration)		
Chloride			Hardness		
Cyanide			Color		
Grease			Biochemical oxygen demand		
Lignin			Chemical oxygen demand		
Ammonia nitrogen			Dissolved oxygen		
Nitrate nitrogen			Turbidity		
Organic nitrogen			Temperature		
Phenol			Specific gravity		
Phosphorus			Conductance		
Suspended matter			Oil		
Surface Active Agents					

E. Pretreatment facilities; that is, pH neutralizers, oil separators, screens, pre-settling basins, etc.

1. Is a municipality, other local government entity, or industry required to have pretreatment facilities? ☐ Yes ☐ No
2. If an industrial borrower or substantial direct beneficiary, what type of pretreatment facilities do you plan?

F. Sanitary sewage discharge *(Check one and describe)*:

☐ Municipal treatment ☐ Septic tank ☐ Local treatment plant
☐ Local body of water ☐ Other ______________________________

G. Industrial waste discharge *(Check one and describe)*:

☐ Municipal treatment plant ☐ Industrial treatment plant ☐ Local body of water
☐ Other ______________________________

H. Are sanitary and industrial waste water drainage flows combined? ☐ Yes ☐ No
Is storm flow combined with one or both? ☐ Yes ☐ No
If one which?

I. Will the project create a substantial increase in the volume of sewage treated by a given facility? ☐ Yes ☐ No
If yes, identify major contributors and kind of discharge from each.

IV. SOLID WASTE DISPOSAL (include name and address of agencies with cognizance over your project. If you must conform to standards set by these agencies, go on to part V.)

A. Does project produce amounts of solid waste which cannot be readily disposed of? ☐ Yes ☐ No
For example, combustibles such as paper, bags, boxes; noncombustibles such as glass, sand, plastics, salvageable materials, sludges or filter residues, tars or oils, cinders or flyash, or others. If yes, identify the solid wastes.

B. What laws, ordinances, or practices govern solid waste management?

C. How are solid wastes disposed of?

D. Are the equipment and techniques employed adequate for the collection, handling, and disposal of solid wastes? ☐ Yes ☐ No
Do they cause noise or dust? ☐ Yes ☐ No

E. Will they accommodate the increased load caused by the project? ☐ Yes ☐ No

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V. OTHER FORMS OF POLLUTION: (these may include, but not be limited to radiation, noise, radio frequency interference, visual):

A. What are they?

B. How severe?

C. Do codes and/or appropriate regulations govern such pollution to be expected from your project? ☐ Yes ☐ No
If "Yes", identify.

VI. GENERAL PROJECT EFFECTS

A. Describe existing land use, such as Industrial, Recreational, Residential, Sound barriers, Commercial, Semi-private, Public, Farm, etc., including any existing zoning classifications.

B. Describe changes in land use.

C. Will the project affect transportation by Highway, Rail, Water or Air? ☐ Yes ☐ No
If yes, how?

D. Will the project affect fish, wild life, water-fowl refuges, beaches, historical sites, forested and scenic areas, etc. ☐ Yes ☐ No

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VII. PLEASE DESCRIBE THE INDIRECT EFFECTS THE PROPOSED PROJECT IS EXPECTED TO HAVE ON THE ENVIRONMENT. (In this section include changes which, although brought about by the proposed project, are not caused by the project itself. An access road to serve a proposed industrial park might be included here).

VIII. UPON EVALUATION OF THE INFORMATION SUPPLIED ABOVE, OR ON THE BASIS OF INFORMATION SUPPLIED TO THE FEDERAL OR STATE ENVIRONMENTAL PROTECTION AGENCY, PLEASE PROVIDE A BRIEF SUMMARY OF THE ENVIRONMENTAL IMPACT OF THE PROPOSED PROJECT. The summary shall include a description of the extent to which the project significantly affects the environment, as provided by the National Environmental Quality Act of 1969, including consideration of:

A. The environmental impact of the proposed project,

B. Any adverse environmental effects which cannot be avoided should the proposed project be implemented,

C. Alternatives to the proposed project,

D. The relationship between local short term uses of man's environment and the maintenance and enhancement of long-term productivity, and

E. Any irreversible and irretrievable commitments of resources which would be involved in the proposed project should it be undertaken,

F. Have any questions or objections been raised by any governmental agency, private organization or individual which might indicate that this proposal is, or will become, controversial? ☐ Yes ☐ No
If yes, please describe:

IX. TO BE SIGNED BY APPLICANT.

Date

Applicant

U.S. DEPARTMENT OF AGRICULTURE

NOTICE OF PREAPPLICATION REVIEW ACTION

From: ____
(Department, bureau, or establishment)

Agency Number

____

Reference Your Preapplication

To:

Number ______________

Dated: ______________

1. We have reviewed your preapplication for Federal assistance under ______________________ and have determined that your proposal is:
   - ________ eligible for funding by this agency and can compete with similar applications from other grantees.
   - ________ eligible but does not have the priority necessary for further consideration at this time.
   - ________ not eligible for funding by this agency.
2. Therefore, we suggest that you:
   - ________ file a formal application with us by (date) ______________ .
   - ________ file an application with ______________________ (Suggested Federal agency).
   - ________ find other means of funding this project.
3. Based upon the funds available for this program over the last two fiscal years and the number of applications reviewed, or pending, we anticipate that funds for which you are competing will be available after (month, year) ______________________ .
4. You requested $ ______________ Federal funding in your preapplication form, and we:
   - ________ are agreeable to consideration of approximately this amount in the formal application.
   - ________ will need to analyze the amount requested in more detail.
5. A preapplication conference will be ______ necessary ______ not necessary. We are recommending that it be held at ______________________ , on ______________________ , at ______________ a.m./p.m. Please contact the undersigned for confirmation.
6. Enclosures: ________ Forms ________ Instructions ________ Other (Specify) ______________________
7. Other Remarks:

Signature	Title	Date
Organizational Unit	Administrative Office	Telephone Number
Address		

NOTE: This form will be used by Federal agencies to inform applicants of the results of a review of their preapplication request for Federal assistance. When the review cannot be performed within 45 days, the applicant shall be informed by letter as to when the review will be completed. When Federal agencies determine that the proposal is not eligible for Federal assistance, specific reasons should be provided in Item 7 Other Remarks.

FORM AD 622 (12-72)

Revised 11-30-78

PA - 2 GUIDE

APPLICATION - FmHA INSTRUCTION 1933.A (COMMUNITY PROGRAMS)

ALL OF PREAPPLICATION ITEMS PLUS:

1 - Form AD-424-624 - APPLICATION (1 copy to State Office)
(1 copy to retained in C.O.)

2 - PRELIMINARY ENGINEERING OR ARCHITECTURAL REPORT

3 - OPERATING BUDGET, Form FmHA 442-7

4 - BALANCE SHEET, Form FmHA 442-3

5 - EVIDENCE OF ORGANIZATION: Articles of Incorporation
Certificate of Incorporation
By-Laws and Ordiance Creating Authority

6 - LIST OF OFFICERS OR DIRECTORS, ADDRESS & TERMS OF OFFICE

7 - Form FmHA 442-45 PROJECT SUMMARY (Water & Waste)
Form FmHA 442-43 PROJECT SUMMARY (Community Facility) Including Attorney & Engineer's address and telephone numbers)

8 - AGREEMENT TO PASS MANDATORY CONNECTION ORDINANCE OR HAVE WATER USERS AGREEMENTS SIGNED (ONLY FOR WATER & WASTE PROJECTS)

9 - CONTRACT FOR ENGINEERING OR ARCHITECTURAL SERVICES

10 - LEGAL SERVICES CONTRACT (INCLUDING BOND COUNSEL, IF APPLICABLE)

11 - APPRAISAL (COMMUNITY FACILITY PROJECTS ONLY)

12 - INCOME AND EXPENSE STATEMENT FOR LAST 5 YEARS OR EVIDENCE OF ASSURED INCOME (COMMUNITY FACILITY PROJECTS ONLY)

PRELIMINARY ARCHITECTURAL FEASIBILITY REPORT

I GENERAL. The following may be used as a guide for preparation of the Preliminary Architectural Feasibility Report as required for FmHA financed facilities.

A Need for the facility.

B Existing facilities. Describe - include condition, adequacy, suitability for continued use and other pertinent information.

C Proposed facility. General description of proposed facility including design criteria adopted for continued use and other pertinent information.

D Building sites.

1 Amount of land required.

2 Location - Alternate locations.

3 Site plan.

4 Site suitability.

E Cost estimate.

1 Development and construction.

2 Land and rights.

3 Legal.

4 Architect fees.

5 Interest.

6 Equipment.

7 Contingencies.

8 Refinancing.

9 Other (described).

F Annual operating budget.

1 Income - Include rate schedule. Project income realistically.

2 Operation and maintenance costs - Project costs realistically. In the absence of other data, base on actual costs of other existing facilities of similar size and complexity. Include facts in the report to substantiate operation and maintenance cost estimates.

G Maps, drawings, sketches, and photographs.

1 Maps - Show locations, boundaries, elevations, population distribution, existing and proposed facility, right-of-way, and land ownership.

2 Drawings and sketches - Show preliminary design and layout elevations.

3 Photographs - As needed.

H Construction problems. Discuss in detail - Include information on ems which may affect the cost of construction.

I Conclusions and recommendations. Discuss possible alternatives to oposed plans.

PRELIMINARY ENGINEERING REPORT

WATER FACILITY

1 GENERAL. The following may be used as a guide for the preparation of Preliminary Engineering Reports for FmHA financed water systems.

A Area to be served. Describe - give natural boundaries, major obstacles, elevations, need for facility, and other pertinent information. Use maps, photographs, and sketches.

B Existing facilities. Describe - include condition, suitability for continued use of facilities now owned by the applicant, adequacy of water supply, storage, and distribution facilities. Give financial status of existing water facilities - including rate schedules, annual operating cost, tabulation of users by monthly usage categories and revenue received for latest fiscal year. Give status of existing debts and required reserve accounts.

C Proposed facilities and services.

1 General description of proposed facility, including design criteria adopted. Include discussion of possible alternates.

2 Land - include amount required, location and alternate locations.

3 Rights - include easements, permits, and other evidence of rights-of-way required; availability of alternates, State Health Department and other agency requirements.

D Proposed system.

1 Water supply. Include requirements for quality and quantity.

a Sources - include study on all feasible sources and provide comparison of such sources.

b Treatment - requirements, if any, and proposals.

c Storage - requirements and proposals.

d Pressure - requirements and proposals.

e Distribution systems. Requirements and proposals - give lengths and sizes; key features.

f Hydraulic calculations in tabular form.

E Cost Estimate. Include development and construction, land and rights, legal, engineering, interest, equipment, contingencies, refinancing, other. (For projects containing both water and waste disposal systems, provide a separate cost estimate for each system.)

F Annual operating budget.

1 Income - Include rate schedule. Project income realistically. In the absence of other reliable information, base water use on 35 gallons per capita per day, or 140 gallons per family per day, or 4,200 gallons per meter per month. When large livestock users are projected, the report must include facts to substantiate such projections.

2 Operation and Maintenance Costs. Project costs realistically. In the absence of other reliable data, base on actual costs of other existing facilities of similar size and complexity. Include facts in the report to substantiate operation and maintenance cost estimates. Include salaries; wages, taxes; accounting and auditing fees, legal fees; interest; utilities; gasoline, oil and fuel; insurance; repairs and maintenance; supplies; chemicals; office supplies and printing; miscellaneous.

3 Capital improvements.

4 Debt repayments.

5 Reserve. Unless otherwise required by State statute, establish at one-tenth (1/10) of annual debt repayment requirement.

G Maps, drawings, sketches, and photographs.

1 Maps - Show locations, boundaries, elevations, population distribution, existing and proposed systems, rights-of-way, and land ownership.

2 Drawings, sketches - Show preliminary design and layout elevations.

3 Photographs - As needed.

H Construction problems. Discuss in detail - Include information on items such as subsurface rock, high water table, or others which may affect cost of construction or operation of facility.

I Conclusions and recommendations.

FINANCIAL FEASIBILITY REPORT

I General.

The following may be used as a guide for the preparation of financial feasibility reports as required for FmHA financed facilities. The guide contains minimal requirements and the report writer is expected to fully disclose and analyze all significant factors which will likely have a favorable or adverse effect on the financial success of the proposed facility.

A Need for the facility.

B Existing facilities.

Explain current capacities, rates of usage, activities, suitability for continued use, alternate usage, deficiencies in services, staffing, physical conditions and any other pertinent information.

C Proposed facility.

1 Description of construction and renovation by component parts including capacity of each component part and physical limiting factors.

2 Explain and document the need for the facility. Include comments regarding the following:

a Service area

b Population trends

c Similar facilities and services in the area.

d Usage trends

e Community support

f Regulatory agency approval

g Economy in the service area

h Analysis of staff and consultants

D Financial Information.

1 Explain all assumption underlying the expected demand, use and projections of financial data, such as:

a Changes in usage

b All income and expense

c Rate structure

d Allowance for uncollectible accounts

e Depreciation life and method

f Description of long-term debts

2 Financial statements. The following financial statements must be prepared reflecting five years projections

a Balance sheet for all funds

b Statement of income and expense

c Statement of cash flow (cash receipts and disbursements)

d Comparison data for facilities in service area (latest year only).

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FARMS
HOMES
COMMUNITY
FACILITIES
BUSINESS &
INDUSTRY

A Rural Credit Program

fact shee

WASHINGTON, D. C. 20250
FARMERS HOME ADMINISTRATION
U. S. DEPARTMENT OF AGRICULTU

GRANTS TO HELP DEVELOP PRIVATE BUSINESS ENTERPRISES

The Farmers Home Administration makes grants to facilitate development of private business enterprises in rural areas or cities up to 50,000 population, with priority to applications for projects in open country, rural communities and towns of 25,000 and smaller.

Who Is Eligible?

Eligibility is limited to public bodies such as incorporated towns and villages, boroughs, townships, counties, States, authorities and districts.

How May Funds Be Used?

Funds may be used to finance industrial sites that will result in development of private business enterprises. Costs that may be paid from grant funds include the acquisition and development of land and the construction of buildings, plants, equipment, access streets and roads, parking areas, utility and service extensions, refinancing and fees.

Grant funds may be used jointly with funds furnished by the applicant, including FHA loan funds.

How Is Use Of Grants Limited?

Grants cannot be used to

1. Pay salaries for office or clerical assistance, administrative, transportation or publicaton costs and expenses.
2. Finance comprehensive area type planning.
3. Develop a proposal that may result in the transfer of jobs or business activity from one area to another. This provision does not prohibit establishment of a new branch or subsidiary.
4. Develop a proposal which may result in an increase of goods, materials, commodities, services or facilities in an area wher there is not sufficient demand.

Grant recipients must meet all provisions of Title VI of the Civil Rights Act of 1964 which provides that no person shall, on the grounds of race, color or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

How Are Applications Processed?

Applicants will be required to submit supporting data before formal application is made. After determining the order of funding priorities, Farmers Home Administration will tentatively determine eligibility and request applicants to assemble and submit formal applications.

How Are Grants Closed?

After determining that applicable administrative actions and required work of the applicant have been completed, Farmers Home Administration will deliver the grant funds by Treasury check. If all or part of the grant is for construction, the grant will not be closed and funds will not be delivered until construction is completed.

Where Is Application Made?

Forms are available from and may be filed with any Farmers Home Administration office.

Other Conditions

Applicants for grants to help develop private business enterprises must file a written notice of intent with the appropriate substate planning agency with authority for A-95 clearance.

U. S. DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

NOVEMBER 1973
WASHINGTON, D. C. 20250

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
BUSINESS AND INDUSTRIAL LOAN DIVISION

APPLICANT'S GUIDE FOR PREPARATION OF PREAPPLICATION

Check When Completed

Preapplication to include a letter with exhibits prepared by the applicant and lender explaining the following:

1. Applicant's name, address, contact person and telephone number. Location of project - be specific - is it in flood zone area?
2. Amount of the loan request. Owners should show what is intended to be accomplished.
3. Name of the proposed lender, address, contact person and telephone number.
4. Brief description of the project, products and services provided.
5. Type and number of employment opportunities and unemployment rate where the project will be located.
6. Amount of the applicant's equity and guarantees offered.
7. Anticipated loan maturity and interest rates.
8. Availability of raw materials and supplies.
9. Form FmHA 449-22, "Certification of Non-Relocation & Market and Capacity Information Report". - one copy only
10. Form FmHA 449-4, "Statement of Personal History", one copy for each owner, officer, director, key employee & stockholders holding 20% or more interest in the business or all partners in a partnership. Include one copy only of Form FmHA 410-9, "Statement Required by the Privacy Act" for each person.
11. Management. Detail the experience of proposed management.
12. Personnel. Show whether qualified personnel are available in the project area. Detail by job types and qualifications needed.
13. A record of any pending or final regulatory or legal (civil or criminal) action against applicant or officers.
14. A current balance sheet and latest profit and loss statement and financial statements of existing businesses for the last three years.
15. A detailed projection of gross revenue, net earnings, and cash flow statements for 3 years including assumptions upon which such forecasts are based.
16. Sales projections indicating the percent of the national and local market the business expects to obtain.
17. Comments of the local and state clearinghouse (A-95) agencies. (If such comments are not immediately available they may be forwarded to the County Office after submission of the preapplication.)
18. Facilities needed. Include the needs for land, (cost and size); building (cost, type and number); equipment (cost, type and number) and if available, provide sketch of plant or facility.
19. Fixed capital needed. Detail the total plant installation costs.
20. Start-up capital needed. Detail the amounts of estimated expenses while plant is under construction.
21. Operating capital needed. The amount from start of operations to the break even point.

22. Proposed financing. Detail the sources of funds and repayment schedule for all loans.

23. Feasibility and marketing studies should be included if presently available.

24. Utilities - Comment on availability and cost of water, waste disposal, power, fuel and communications.

25. Supporting services - Include information relating to warehousing, transportation, roads, fire and police protection.

FARMERS HOME ADMINISTRATION LOAN ACTIVITY IN PENNSYLVANIA

FISCAL YEARS 1977 thru 1979

PROGRAMS	Fiscal Year 1977		Fiscal Year 1978		Fiscal Year 1979	
	Number	Amount	Number	Amount	Number	Amount
FARMER						
Farm Operating	634	9,587,000	831	13,932,000	756	20,912,370
Farm Operating (Guar)					2	98,500
Farm Ownership	143	6,792,000	180	9,045,000	172	13,062,730
Farm Ownership (Guar)			1	79,000	3	488,000
Recreation & Non-Farm	1	78,000	2	72,000		
Soil & Water	41	147,000	69	351,000	54	323,650
Emergency Loans	11	97,000	300	6,757,000	84	4,690,970
Economic Emergency			17	793,000	1,030	56,316,910
TOTAL	830	16,701,000	1,400	31,029,000	2,101	95,893,130
HOUSING						
Ind. Home Loans(502-504)	1,349	26,589,000	1,445	29,269,000	2,293	57,802,990
Housing (Guar)					4	131,400
Grants (504)	31	54,000	109	217,000	213	604,020
Rental & Coop Loans	28	16,503,000	30	19,993,000	41	27,987,400
Self-Help Tech-Assistance			1	178,000		
Rural Housing Site Loan					2	152,300
RH Supervisory & Asst Grants					1	100,000
TOTAL	1,408	43,146,000	1,585	49,657,000	2,554	86,778,110

FARMERS HOME ADMINISTRATION LOAN ACTIVITY IN PENNSYLVANIA

FISCAL YEARS 1977 thru 1979

PROGRAMS	Fiscal Year 1977		Fiscal Year 1978		Fiscal Year 1979	
	Number	Amount	Number	Amount	Number	Amount
BUSINESS & INDUSTRY						
B&I Loans (Guar)	5	5,336,000	16	24,829,000	20	27,692,020
COMMUNITY						
Water System Loans	9	3,576,000	7	2,155,000	29	17,962,700
Water System Grants	7	2,834,000	5	1,621,000	17	5,300,100
Waste System Loans	20	22,470,000	20	24,600,000	31	26,965,900
Waste System Grants	10	10,836,000	15	8,705,000	18	7,499,900
Water-Waste Comb. Loans	2	2,943,000				
Community Facilities Loans	11	10,332,000	6	7,578,000	23	9,453,100
Rural Dev. Planning Grants					4	115,000
Appalachia Reg. Dev. Prog Gts					4	994,350
Business & Industrial Gts.	2	234,000	3	385,000	3	385,000
Energy Grants - Growth Mgmt.					3	85,000
Energy Grants - Site Acq.					3	937,900
RC and D Loans			1	6,000		
TOTAL	61	53,225,000	57	45,050,000	135	69,698,950
GRAND TOTALS - ALL PROGRAMS	2,304	118,408,000	3,058	150,565,000	4,810	280,062,210

10/18/79

APPENDIX F

JOB DESCRIPTION
FOR
SOMERSET COUNTY RURAL HOUSING AIDE

The person (or persons) selected for this position should have a strong interest in working with individuals and families in need. Primary job skills also include an ability to express oneself well both orally and in writing. Accuracy is vital to this position's development and continuance. The Rural Housing Aide (RHA) must be capable of communicating equally well with clients and professionals.

The RHA will primarily work independently to promote the use of FmHA housing funds. Emphasis will be placed upon the promotion of subsidized housing funds.

Specific duties will include:

1. Preparation of a housing needs inventory for individuals and communities through surveys and interviews.
2. Maintenance of records of interviews and follow-up procedures.
3. Packaging of application (for families and individuals requiring assistance) and submission to FmHA.
4. Coordination and assistance in the effective utilization of other local and county housing resources such as weatherization, Section 8 rental assistance, homemaker services, and rental housing.
5. Preparation of an inventory of all housing resources both (public and private). Similarly, a list of contractors and subcontractors experienced in home construction and repair will be used to refer 502 and 504 applicants.
6. Conduction of follow-up to services, to assure completeness of housing assistance.
7. Assisting the local government officials designing appropriate methodologies and meeting local housing needs.
8. Assisting in the development of local needs priorities through the county planning office and other local agencies.

Job Qualifications

No specific educational or experiential background is required. The successful candidate, however, should be familiar with housing issues and should be capable of working independently of continual direct supervision. Writing, speaking, and listening skills are absolutely essential.

5/23/79
CZ/ak

APPENDIX G

FULTON COUNTY HOUSING AUTHORITY

FULTON COUNTY

McCONNELLSBURG, PENNSYLVANIA 17233

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

TITLE VI

PROJECT PACKAGE

ADMINISTRATION OF FARM AND HOME PROGRAMS

Fulton County

Submitted to:

SOUTHERN ALLEGHENIES PLANNING

AND DEVELOPMENT COMMISSION

1506 Eleventh Avenue
Altoona, Pennsylvania 16601
(814) 946-1641

Date Submitted:

June 1, 1979

Prepared By:

FULTON COUNTY HOUSING AUTHORITY
Margret Fletcher, Director
113 Lincolnway West
McConnellsburg, Pennsylvania 17233
(717) 485-4041

I. TITLE

ADMINISTRATION OF FARM AND HOME PROGRAMS

Fulton County Housing Authority
Fulton County
McConnellsburg, Pennsylvania 17233
(717) 485-4041

BEGINNING DATE:	July 1, 1979
ENDING DATE:	June 30, 1980

ESTIMATED TOTAL CETA BUDGET:	$34,303.00

PROJECT INITIATORS and ADMINISTRATORS:

Fulton County Housing Authority
Margret Fletcher, Director
113 Lincolnway West
McConnellsburg, Pennsylvania 17233
(717) 485-4041

II NEED

The proposed project will provide employment and training for three (3) residents of the Southern Alleghenies Planning and Development Commission's area of Fulton County who are certified unemployed and economically disadvantaged in conformance with the CETA Title VI regulations and the Fulton County Employment and Training Program.

The Fulton County Housing Authority proposes to serve the residents of Fulton County who fall into the low and moderate income class by means of this program from the Farmers Home Administration, hereinafter called "FmHA." Housing has been a major problem within Fulton County expecially for those persons at the aforementioned income levels. In order to provide housing for these families, the Fulton County Housing Authority has been investigating many different programs and has decided the best way to help these unfortunate people is through the FmHA loan programs, expecially self-help housing. The Housing Authority needs the assistance of the three (3) participants to adequately cover the entire county and identify and assist the needy inhabitants with the compilation of the necessary papers to qualify under FmHA. Without this project under Title VI the county would be unable to fund such an intensified program countywide.

III OBJECTIVES

1. To provide employment and work experience for three (3) participants in the Socio-Economic Field that will enable them to secure permanent unsubsidized employment at the successful conclusion of the project.

2. The main objective is to contact and prepare a list on families in the county in the low and moderate income class that have a desire or need of obtaining housing. These families will then be aided by the participants hired, in filling out the vast amount of technical material required by FmHA prior to their approval for "502" or other loan programs. This would involve group meetings and one-on-one contact by the participants hired to obtain such information which would then be forwarded to FmHA for processing. The compilation of this vital information will also assist the Housing Authority in all of its programs for the inhabitants of Fulton County.

IV PROCEDURES

WHO: The persons served by this project will be the three (3) participants, who will be classified "Rural Housing Aides", and it is expected that approximately 20-25 families now living in Fulton County will be immediately served by this project. These families are identified in the low to moderate income levels and have incomes of less than $10,000.00 per annum.

WHEN: The project is expected to run from July 1, 1979 through June 30,1980.

HOW: The persons hired will compile lists of potential families that may qualify for any of the FmHA Housing Programs. From these lists the participants will personnally screen potential applicatns. This screening will be done on a one-on-one basis by the participants and the potential families. The families selected will then meet with the participants to complete and process the FmHA forms that require such information as income, basic family compostion, expected income sources, basic ability to repay a loan, credit references, and employment verification. These forms will then be sent on to FmHA to determine the fmilies eligibility to enter into self-help or other FmHA programs.

V PERSONNEL

The following is a brief job description for the "Rural Housing Aides":

Duties and Responsibilities:

1. To attend weekly group meetings, assisting the participants to learn how to most effectively transact the required business and become a cohesive group.
2. To assume the responsibility of doing the 'case-loads' of the families within the program.
3. To take home interviews and assist the families in the processing of their loans.
4. To assist families in solving their problems, whether individual or group.
5. During the construction phase, to continue to work closely with the families and construction supervisor to insure active participation in the building of the houses and to bring about a satisfactory solution to problems which may arise.
6. To prepare monthly reports on the progress of the participants.
7. To recruite participants to the program.
8. To work with the families to help them remove barriors to participants such as poor credit, under-employed health, etc..
9. To work with participant groups in arranging for speakers on the subject of taxes, insurance, checking accounts, and homemaking.
10. During the preconstruction phase, negotiate for land with the families.

EDUCATION AND EXPERIENCE, AND ABILITIES:

1. Should have a high school degree. Some college desireable, not essential.
2. Must have empathy with low income people, minority groups, have ability to win their respect and trust.
3. Must have ability to express ideas clearly and concisely.

4. Must be patient, understanding and effective in dealing with others: participants, staff and other agency personnel.

5. Some knowledge of purchasing and developing land.

VI FACILITIES

The facilities needed to carry out the objectives of this project are office space, to be provided by the Fulton County Housing Authority, telephone, some duplication, transportation (to be provided by the persons hired then reimbursed by CETA for mileage traveled) and general office supplies to be provided by the 7 1/2% administrative costs of the project.

VII EXPECTED OUTCOMES

The project proses to work with twenty-five and more families on a personal basis and to aid these families in qualifying, filling out appropriate forms and preparing FmHA "502" loan document material, in order to qualify for various FmHA loam programs, expecially Self-Help Housing. The burden of this paperwork has been placed on the applicants by FmHA and being complex in nature. The participants will complete most of the required forms as well as compiling the information for the Housing Authorities future reference.

VIII. BUDGET

PARTICIPANT WAGES

Three (3) Rural Housing Aides @ $3.50 per hour for the First Ninety (90) Days or Sixty-Five (65) Workdays.	$5,460.00
Three (3) Rural Housing Aides @ $3.75 per hour for the Next Nine Months or One Hundred and Ninety-Five (195) Workdays.	$17,550.00
TOTAL WAGES	$23,010.00

PARTICIPANT FRINGES

Retirement @ 15%	3,452.00
Workmen's Compensation @ 8%	1,841.00
Hospitalization @ 158.79 p/m for 12 months	1,906.00
Mileage @ .17 p/mile for approx. 10,000 miles	1,700.00
TOTAL FRINGES	$8,899.00

Six Vacation Days per Year
Ten Sick Days per Year

SUBTOTAL OF CETA PROJECT COSTS	$31,909.00
Operating Expenses @ 7 1/2%	$ 2,394.00
TOTAL CETA PROJECT COST	$34,303.00

APPENDIX H

SOMERSET COUNTY RURAL HOUSING AIDE
PROGRESS REPORT

Cindy Tissue
Somerset–Farmer's Home Administration Office
Report as of November, 1979
Began work–July 1979 CETA employment is through January, 1981.

1. 504 Grants and Loans:
    1. Met with approximately 60 families individually to discuss program.
    2. Submitted 35 504's likely to be approved–14 of which have been approved for funding.
    3. Sent letters to 125 families who are likely eligible, and have already been determined to be low income families.
    4. Assist families with other housing problems:
        1. Finding contractors
        2. CAP Weatherization.
        3. Fuel rebates.

2. 502 loans:
    1. Review applications as they are submitted–gather additional information before County Supervisor reviews.
    2. Screen inquiries–review application with potential applicants.
    3. Appraisal training–hope to have appraisal authority in near future.
    4. Counsel delinquent borrowers in bringing accounts current.
    5. Make construction inspections and development checks.

3. Outreach work:
    1. Maintain contracts with coordinators of five community outreach centers (CAP) in county.
    2. Maintain contacts with Area Agency on Aging–outreach workers and counselors. Both sources have been extremely helpful.
    3. Spoke to groups at Senior Citizen Centers throughout county and maintain contacts with coordinators there.
    4. Have contacts with Borough Manager in Meyersdale–spoke at Housing Information meeting. Hope to establish similar contact in other communities.
    5. Contacted county's Redevelopment Authority, Planning Commission, and Housing Authority to become familiar with housing conditions and programs.
    6. Published newspaper articles in Senior Citizen Newsletter and area newspapers, sent radio announcements.

APPENDIX I

FULTON COUNTY RURAL HOUSING AIDE
PROGRESS REPORT

Linda Wible	Bonnie Miller	Kay Anderson

Fulton County Housing Authority Office
Report as of October 1979
Began Work - July 1979 - CETA employment through July 1980

1. 504 Grants and Loans:
   - a. Met with approximately thrity prospective applicants. Submitted twenty applications two of which have been approved to date.
   - b. Provided assistance to families regarding contractor estimates and weatherization.
2. 502 Loans:
   - a. Contacted approximately ten prospective applicants. Submitted four applications. None have been funded to date.
   - b. Spent considerable time with prospective applicants developing a family budget.
3. Outreach Work:
   - a. Followed several leads obtained from the County Welfare Office regarding critical housing rehab needs by low income families.
   - b. Spoke to various community groups to explain Farmers Home Administration housing programs.

APPENDIX J

The Fulton County News

APRIL 5, 1979

County Agencies Cooperate in Awareness Program

By JUDI GUERRIERI

When Dwight Skiles began inspecting the homes of applicants for the Fulton County Weatherization Program, he found situations many times worse than he had anticipated.

Many of the homes needed more than mere "winterization"; many were prime candidates for substantial rehabilitation. Some homes were beyond "rehab," as housing personnel refer to it; they were simply unsafe for habitation.

This tenant house is presently home for the George F. Carbaugh family, but will soon be replaced by a newer, more comfortable trailer, through efforts of the county Housing Authority and Weatherization Program.

Dwight Skiles is director of the Weatherization Program, a program aimed toward conserving energy. His funds are earmarked, and fairly strictly earmarked, for helping homeowners "winterize" their homes, for installing storm windows, weatherstripping, new doors which fit properly. The Weatherization Program was not designed to eliminate all sub-standard housing within the county. The funds aren't available for such an undertaking.

Or are they? Dwight Skiles is trying to find out. If the Weatherization Program can't complete necessary renovation to bring a home to minimum housing standards, Skiles is determined to find a program which can.

When Skiles began inspecting homes and found barely liveable conditions time after time, he became concerned about the minimum amount of help which his program could render. He began to investigate other county, state and federal programs in an effort to unearth additional funds.

He contacted Margaret Fletcher, director of the Fulton County Housing Authority. He contacted Chris Goode of Farmers Home Administration (FmHA).

Things began to snowball. Margaret Fletcher contacted Richard McEldowney, representative of Engineering and Design Services (EADS), consultants for the Housing Authority. Craig Zumbrun, housing specialist, Department of Community Affairs (DCA), approached Mrs. Fletcher about expansion of FmHA programs in Fulton County; Mrs. Fletcher passed along the word to Dwight Skiles.

Skiles, Fletcher and Zumbrun, along with Pat Hill of Southern Alleghenies Planning and Development Commission (SAPDC), John F. Boyer, community facilities specialist with DCA, and Sam Horn, area supervisor, FmHA, met last Thursday in the first step toward a program of effective cooperation and coordination designed to bring the best possible housing conditions to Fulton County.

Things are already beginning to move. Skiles has tentative plans to relocate the Weatherization Office across the hall from the Housing Authority. He and Fletcher hope to share personnel, even filing systems. For the present, they are sharing clients, coordinating efforts to bring the best possible service to Fulton County.

The key word is "awareness." Over and over, each agency representative repeats with exasperation, "If only the people knew . . . People don't know what programs are available to them . . . We have to make the people in Fulton County aware that they can get help . . ."

Craig Zumbrun says Pennsylvania and thereby Fulton County is losing dollars from neglect. FmHA allocated approximately $270,000,000 to Pennsylvania last year and $70,000,000 of that allocation was turned back unused. Zumbrun feels one reason was "unawareness," people were not well enough informed.

This year FmHA allotted $156,375,000 to Pennsylvania, less than the year before, and Zumbrun says the figure will probably continue to drop unless people take advantage of the funds available.

But Skiles, Fletcher, Zumbrun and the others are determined that people know, and that dollars will be used.

A good case is the Carbaugh family.

As director of the Weatherization Program, Skiles knew a few families who needed and qualified for Weatherization funds. He told George F. Carbaugh about the program and assured Carbaugh the winterization improvements would not cost a penny from his own pocket.

Carbaugh applied for the funds, his application was approved and accepted, and the weatherization crew made plans to begin their work. Skiles went to inspect the home closely, however, and called in Margaret Fletcher.

There are three children living in the Carbaugh home, ages 10, 12, and 14. (An older son is no longer living at home and has begun work on a Weatherization crew under the CETA program). They live in a tenant house on a farm operated by Reed Richards and Cyrus Randler. It's the same home Mr. Carbaugh lived in some 40 years ago when his father labored on the farm for the senior Mr. Richards. The house hasn't changed much, according to Carbaugh, except to deteriorate.

There wasn't any water or electricity in the home when Carbaugh lived there as a boy. Now there is electricity, but still no running water. It is carried in from a spring every day.

The home was heated through the winter with three wood stoves which Skiles calls unsafe for home heating purposes. Carbaugh says it probably took thousands of dollars in wood to keep the house warm.

This estimate doesn't seem exaggerated. Standing in the attic on a nice day, blue sky can be seen and warm sunshine felt through the gaping holes in the roof, but in the winter, the incoming drafts are bitter cold. Cracks in the side walls are large enough that Skiles felt insulation would be useless. Doors and windows do not fit tightly against their frames.

Skiles' greatest fear, however, was the wood stoves. They are a type which Skiles says buckle and deform when they get too hot, allowing flames to escape and creating a fire hazard.

Skiles contacted Margaret Fletcher to see if the Housing Authority could provide any assistance. Presently, the county Housing Authority administers a rent subsidy program known as Section 8, although they have plans to expand very soon.

Under Section 8, a landlord must have his rental property inspected by

(Continued on Page Three)

The Fulton County News - Thursday, April 5, 1979

Weatherization, FmHA, Housing Authority Cooperating in Awareness Program

the Housing Authority office, Mrs. Fletcher, to insure the home or apartment meets minimum housing standards as established by the Department of Housing and Urban Development (HUD). Then a qualified family (qualifications depend on income and number of persons) may be approved for rent subsidy. The family will pay a certain percentage of their income towards the rent and Section 8 funds will pay the remainder of the rental to the landlord.

Mrs. Fletcher contacted Mr. Randler and explained the concerns surrounding the Carbaugh housing situation. She explained the Section 8 program to Mr. Randler and asked if he could help the Carbaughs.

Randler was ready and willing to cooperate. He found two trailers for sale and asked Mrs. Fletcher to inspect each one. Mrs. Fletcher found both trailers suitable. Randler purchased one, a three bedroom, two bath, furnished model, and hopes to have it ready for the Carbaugh family to occupy sometime next week. Both farmers, Randler and Richards, were happy to be able to help the Carbaugh family, and happy that the Weatherization Program and the Housing Authority, through Skiles and Fletcher, made them aware of both the need and the answer to the Carbaugh family problem.

Awareness — it's the key to the housing situation in Fulton County.

Department of Community Affairs/ Farmers Home Administration

Craig Zumbrun, housing specialist for the Bureau of Community Planning, Department of Community Affairs, is working under a one-year contract with Farmers Home Administration (FmHA) designed to increase the use of FmHA housing funds. Paramount to increased use, is an awareness program aimed at rural areas.

FmHA is no longer operating solely as a farm-oriented institution, according to Zumbrun, but is providing opportunities in rural development. FmHA is trying to work with local planning commissions and looking for the priorities within each county, in an attempt to increase inter-government and inter-agency coordination.

Under FmHA guidelines, Zumbrun says, Pennsylvania is the largest rural state in the nation. FmHA would like to provide assistance where it is needed and, hence, its outreach program.

FmHA is trying to package its numerous programs through local agencies. In Fulton County, the Housing Authority will serve as the initial information and assistance center.

Under the FmHA Section 504 program, loans at one percent interest, are available for necessary repairs to make a home safe and sanitary. Grants are available under this program for citizens over the age of 62.

Section 502 loans are available for the purchase, building, rehabilitation, improvement or relocation of a home to be used as a permanent dwelling. The loans can be made for up to 33 years and are available to families with adjusted incomes below $11,200 under a subsidy program, and to families with adjusted incomes below $15,600, who are unable to provide housing or secure credit through their own resources.

Larger programs are available through FmHA for farm labor housing and rural rental housing. Under Section 515 non-profit and limited profit corporations may be eligible for loans of a period up to 50 years to build, rehabilitate, improve, repair, or buy rental housing for occupancy by families with adjusted incomes lower than $15,600 and senior citizens of any income. FmHA has a rental assistance program available to eligible tenants under subsidized Section 515 projects.

Zumbrun feels that for some people FmHA may not be the answer. His goal, however, is to reach families where FmHA can help and, through the Housing Authority, establish a place where applicants can find assistance in seeking a FmHA loan.

Fulton County Housing Authority

Almost two years ago the Housing Authority made its first application under a Federal housing program known as Section 8. Today, the Authority administers 75 units under the Section 8 program and Margaret Fletcher, Housing Authority director, feels rather proud of that figure.

Under the Section 8 program, qualified tenants pay 25 percent of their adjusted income towards their rent, and the Housing Authority, through Section 8 funds, picks up the remaining 75 percent. The program is available to families on a temporary basis, during a period of unemployment, for instance, as well as to persons on a fixed income who perhaps could not afford to continue paying rent without Section 8 assistance.

Mrs. Fletcher claims one of her first clients brought enough satisfaction to last a lifetime. Esta Gray had been living in a second floor apartment for 18 years, an apartment which she enjoyed, but which had definite limitations. Mrs. Gray is able to get around only in her wheelchair, which left her confined to the apartment, except for one or two days a year.

Through Section 8, Mrs. Fletcher found Esta Gray a first floor apartment, which Mrs. Gray says, "is like a silver lining to a cloud."

Mrs. Gray now goes out to get her mail, she visits neighbors, she watches spring arriving.

"I never saw so many shades of green," she said. "it makes me feel alive again. I may not be rich in money, but I am rich in friends and enjoyment."

The Housing Authority has submitted an application for an additional 60 units under the Section 8 program and Fletcher hopes the county will be allocated at least 40 or 50.

Added to this is the proposed apartment complex, Fulton Terrace, by P. Jules Patt, Hollidaysburg, scheduled to begin construction sometime this month. Fletcher says she already has people waiting for Fulton Terrace.

Efforts don't stop there, however. The Housing Authority has submitted a pre-application to HUD for a small cities grant.

If approved, the grant will provide funds for an extension of the borough sewer line, and funds for substantial housing rehabilitation. Once the pre-application is approved, there is a formal application process to go through.

Richard McEldowney, of EADS, consultants for the Housing Authority, says it would be six months to a year before any real "rehab" work could begin. In the meantime, the Housing Authority is working on a citizens participation program, a requirement for the grant, trying to involve other county agencies.

McEldowney says the small cities grant would be a perfect opportunity to tie together the other housing programs. If the Housing Authority receives the small cities grant, other possibilities look brighter in the future. For instance, a FmHA program of substantial rehabilitation to convert an existing structure into apartment units.

"It would be more money to do more things. If each program (Weatherization, FmHA, for example), could take care of the eligible items under its jurisdiction, we could reach more homes and help more people," McEldowney feels.

Fulton County Weatherization Program

Funds for the Weatherization Program originate at the federal level, which in turn funds the state, which in turn funds individual counties on a reimbursement basis. Fulton County has been allocated $134,834 for the current fiscal year, ending June 30. July 1 will begin a new fiscal year, and a new budget.

The Weatherization Program is directed toward eliminating the infiltration of cold air into homes, thus saving energy and lowering heating costs. Under the program, insulation is installed, storm windows and weather stripping are installed, exterior doors can be replaced, and most "winterizing" work can be done where necessary.

Applications are accepted from homeowner and tenants alike, and approved on the basis of income and household size guidelines. In the case of tenants, approval is based on the income and family size of the tenant, not the landlord. Trailers are also covered under the Weatherization Program.

The Weatherization Program has completed work on ten homes since January 8, 1979, when Dwight Skiles was appointed director. Applications are received at the rate of two to three per week.

The state will reimburse the program $400.56 for each home which it completes. Monies earned are then used to purchase materials and inventory.

Skiles says he would like to see the program spend the maximum amount of available funds in Fulton County and is currently working on an outreach program designed to meet that goal.

Ideally, he and the other agencies, would like to pull in ideas from John Keifer, energy technician in the county, CETA, Green Thumb, . . . to have all the area agencies pulling together in one massive effort to increase social awareness in Fulton County.

THE DAILY NEWS
HUNTINGDON, MOUNT UNION and SAXTON THURSDAY, APRIL 5, 1979

*At COG Meet

Farmers Home Aid Explained

Huntingdon Area Council of Governments (COG) members listened to a presentation last evening by Craig Zumbrun and John Boyer of the Pennsylvania Dept. of Community Affairs, about the funding programs available from the Farmers Home Administration.

Zumbrun covered the variety of housing loans and grants available to citizens and organizations, and Boyer the kinds of community facilities business and industrial development loans and grants available in Pennsylvania through FmHA.

The men are part of a new program designed by DCA to improve the use of federal funds in Pennsylvania, particularly Farmers Home Administration assistance which has been traditionally under-used by Pennsylvania citizens in most areas of need.

Goals of DCA

The goals of the program, the representatives explained, are to increase the use of Fm-HA funds (particularly housing funds) through public education and outreach activities, to develop a rural investment strategy

(Cont'd on Page 7)

*Farmers

(Cont'd from Page 1)

Pennsylvania (determining priority areas, targeting and minorities to be served); to increase inter - governmental and inter - agency coordination (at federal, regional and local levels, and to employ better planning techniques at all levels); and to establish a housing resource center in each county in the region they serve (Huntingdon, Blair, Bedford and Somerset, principally).

They distributed packets of information which will be the core of an official training manual to be developed as their job continues. Then Zumbrun explained why their ombudsman jobs were created by DCA in the first place.

Losing Funds

"We've been turning back money to the federal government," he said. In housing, for example, the state was allocated $270 million by Fm-HA last year, and over $70 was not used and had to be turned back. Pennsylvania," he pointed out, "has the largest rural population of any state in the nation, and the greatest number of rural housing units not up to standard."

Two other problems with the Farmers Home program were cited. There isn't enough F-mHA staff in most counties capable of handling the potential number of clients they have, and areas that were getting the funds weren't those where the greatest need in the state could be demonstrated.

Housing Resource

The ultimate goal of a housing resource center in each county would include a rural planning and packaging coordinator who would help clients with referrals to housing resources, preparation and packaging of funding assistance applications for loans, and counseling (budgeting, mortages, home ownership tips, etc.)

Zumbrun then described briefly a variety of housing assistance programs purchase or construction assistance under 502, through loan guarantees, conventional (direct loan) and interest credit assistance, rehabilitation of existing units through 502 or 502, incentive interest credit through 502, subsidized rental housing (aimed specifically at landlords); Section 8 tandem programs of several types.

Interest on conventional loans is now running at 9 percent with FmHA programs but interest credit and incentive programs can reduce that charge to 3 percent, 2 percent or even 1 percent depending upon income criteria, eligibility, and type of assistance applied for.

Zumbrun also capsulized various borrower eligibility criteria used by FmHA, outlined the application process, and presented a sample budget. He concluded with some comments about self-help technical assistance (523) which is familiar to some Huntingdon County residents through the Homes project.

Appropriations

Boyer started with community facilities loans for water, sewer and other facilities (medical centers, fire and rescue stations, libraries, etc.) and grants which are made only for water and sewer projects. Total fiscal appropriation this year in Pennsylvania is $63,740,000 of which $51,500,000 is reserved for loans.

Business and industrial grants only have a $385,000 appropriation this year, but loans are allocated $41,190,000 in this state.

Community facilities assistance can be given to political subdivisions, broad based non-profit groups and community action agencies. Combined assistance is available with EPA, DER, HUD, the Pa. Dept. of Commerce, ARC, and a variety of other agencies and departments for special kinds of projects.

Big Businesses

Business and industrial grants are available only to public bodies and are mainly used for site development projects where jobs are imminent. Loans, on the other hand, are only for private, taxable entities and should be no less than $500,000 (smaller requests are usually referred to the Small Business Administration). The money is used to provide a 90 percent guarantee to local lending agencies where large amounts of capital would not normally be available.

Boyer outlined the application and review process for community facilities loans, and described the changes in philosophy going on in FmHA. He also noted the strategy which emphasizes three development opportunity areas in the Southern Alleghenies region, including the Raystown area. The object is to maximize federal investments in areas where results will show the most effect.

COG President Larry Sather conducted last night's meeting. Huntingdon Borough and Walker Township COG members were present.

McConnellsburg Borough Council Monday night awarded a contract for trash collection in the borough and set apparatus in motion for the reconstruction of East Maple Street.

The trash collection contract for 1979-80 went again to Community Refuse Service, Mercersburg, at their bid of $10,800, the same bid they have submitted for the past three years. The only other bid received was from T. Ray Peck at $13,920. The one-year contract includes two one-year options to continue.

Informed that they had received a grant for $93,750 for reconstruction of East Maple Street, council moved to have its engineers survey the street to determine how much property will

Fulton County Weatherization Director Dwight Skiles, left, discusses housing problems on "The Ridge" area, west of McConnellsburg with, from left, Patrick Miller, Southern Alleghenies Planning and Development Commission, and John Boyer and Craig Zumbrun of Pa. Department of Community Affairs.

(Staff photo by Paul Politis)

The Fulton Democrat

Officials tackle 'The Ridge'

By PAUL POLITIS
Editor

Representatives of the Pa. Department of Community Affairs and Southern Alleghenies Planning and Development Commission discussed housing problems on The Ridge area of Old Route 30 west of McConnellsburg last week with Rev. Harry Branche and other residents of that area.

John Boyer and Craig Zumbrun of DCA and Patrick Miller of Southern Alleghenies questioned whether the mere extension of sewer and water lines to the area, as sought by Fulton County in an application for federal Community Development grants, would be the best answer to the area's needs.

"We're not sure," said Zumbrun, "that just running sewer and water out here is the best answer."

Boyer said such an extension would be "very expensive. I've heard $80,000 tossed around. It's going to cost more like a couple hundred thousand and it would just encourage what they call 'urban sprawl' without necessarily being of much help to the people up here."

Rev. Branche told the three that at present, many of the more than 100 persons living on The Ridge must carry their water from pumps and do not have proper sanitary facilities. "We want to get a grant to run water and sewage up here," Branche said, "so we can build homes for future generations." Branche cited the recent construction of several new homes, including one his brother Ted is currently building. He told the officials of a non-profit organization dedicated to The Ridge and its people called HOPE. He said that HOPE, which was started by Lutheran Social Services and other religious organizations, has helped with the construction of six homes since it began in the early 1960's. He also said that HOPE owns approximately 30 acres of land in the Ridge area. Rev. Branche said that some of the land on which the homes of The Ridge sit is owned by "a woman from Cleveland, Ohio, some is owned by the persons living in the homes and some of the land ownership is questionable."

Zumbrun said the Department of Community Affairs is trying to get Farm Home Administration (FmHA) money into the six county Southern Alleghenies region. "We want to work with groups like HOPE to help you get funds," he said, "but we also need to make sure that everyone in the community supports what we're doing if we're going to be successful."

He pointed out that both low interest loans — as low as one percent — and some outright grants might be available for housing construction or rehabilitation, as well as for solving the water and sewerage problems.

"There are a lot of physical problems," Zumbrun said — "the lay of the land, the tough subsoils, but there are funds available."

Boyer pointed out that despite what some ridge residents apparently believe, "it apparently has never been proven that this land won't pass a perc test. Rev. Branche and the (Mountain View) Mennonite Church both have functioning septic tanks," Boyer said, "and the home being built by Ted Branche has passed a perc test. If much of the land won't pass, though, there are other options. There could be a community septic tank installed on a spot that will pass to serve several homes. Another alternative might be a package chemical plant, although these require more periodic maintenance. But we don't think," said Boyer, "that anyone's going to buy just sending water and sewer lines up here and forget it."

Zumbrun called for "some sort of door-to-door type survey to determine how much support we have and what everyone feels they want, need and would be willing to help support. You've got the land and you've got the people," he said. "What you need now is to get it all together. And that's going to take a great commitment from all of you," he said.

Boyer pointed out that improvements will not come without cost to the residents. "No matter how much grant money you get," he said, "it's still going to cost you more than any of you are paying now. Most of you are not now paying any sewer, water and maybe no taxes. This might cost each family another hundred dollars a month. And some people may not want this. We don't want to give you any false impressions," Boyer said. "This is going to be costly."

The three officials will meet with attorneys and others from the HOPE organization and then plan to call a meeting of all residents of The Ridge by the end of the month to further discuss the project.

Thursday, April 12, 1979

Farmers Home Presents Check To Homes

Opie Boyer, county Farmers Home Administration supervisor, presents the technical assistance grant check to Ellin Jaeger, left, president of the Homes board of directors, and P.M. Morgan, right, executive director of Homes. Watching the transfer (from left) are Ken Rabenstein of the Homes board; Woody Sager of the Huntingdon County Redevelopment Authority; Harry Knudsen, county planning director; John Boyer, Dept. of Community Affairs; County Commissioner Winston Chesney and Sylvia Myers of the Homes staff. The agencies were instrumental in launching the two - year project.

First Group Families Do Closings

Signing the papers involved in the Homes project has been a major activity of the families taking part in the first group. Land closings and mortgage closings must be completed in order to get the first six homes under way. Here Merritt and Erma Wilkerson try their hand under Opie Boyer's watchful eye. Looking on, from left, are Homes staffer Jo Anne Haverstock who serves as family group coordinator - trainer; Wallace and Doris Green, Ed Rogers, Karen Taylor, Iva and Joe Hinton, Trish and David Rice, Judy and Steve Allen. The families are pioneering the unique program.

Grant Signed For $178,000

Huntingdon County chalked up a historical first for the state of Pennsylvania last evening when Opie G. Boyer, Jr., county supervisor for the Farmers Home Administration presented a check to Homes of Huntingdon County, Inc., launching a two-year $178,000 self-help housing program.

The technical assistance grant will fund the staff and operations of the agency for the two-year period to assist low income families throughout the county to finance and build their own homes. It is the first FmHA grant of this type ever to be awarded in the state of Pennsylvania.

Representatives of the various agencies and county government were on hand to take part in the activities surrounding the signing of the contracts: Winston Chesney, chairman of the board of county commissioners; John Boyer, regional development specialist for the Dept. of Community Affairs; Harry Knudsen, county planning director who has served as special technical advisor and CETA supervisor for Homes during the formative stages of the program; Woody Sager, construction officer for the Huntingdon County Redevelopment Authority which provided the Mount Union sites for the first group of houses.

Also present for the event were the first-group families themselves: Merritt and Erma Wilkerson, Wallace and Doris Green, Joe and Iva Hinton, David and Trish Rice, Steve and Judy Allen, Ed Rogers and Karen Taylor. It is through their efforts that the first six homes in the program will become a reality.

Ellin Jaeger, president of the Homes board of directors and P.M. Morgan, executive director of Homes, accepted the check for the agency. Board members on hand were Ken Rabenstein, vice president and Lynn Streightiff, treasurer. Homes staff present included Jo Anne Haverstock, coordinator-trainer and Sylvia Myers, secretary-bookkeeper.

End And Beginning

The signing of the contracts represents the end of a long, hard road for the Homes board of directors, and the beginning of a positive attack on the needs for good quality housing stock for low income families in the county.

Staff indicated that the six housing packages were ordered from 84 Lumber on Wednesday and should arrive on the sites sometime between Oct. 26 and Nov. 5. Closing agreements for all the families but one have been completed, and that should be finalized shortly. R and H Builders have begun work on the foundations for the units which should be in place by the time the housing packages arrive.

Staff Completed

Two new staff members have been hired, bringing the agency to its full complement of people for the administration of the Farmers Home project. They are Sally J. Allenbaugh, secretary-bookkeeper and Carl R. Patton, construction supervisor.

Mrs. Allenbaugh has extensive qualifications for her job, having worked most recently with Mount Union Borough, the Chamber of Commerce and MUAD, Inc., and the Mount Union Area Medical Center. Mr. Patton has 31 years' experience in the building construction field, including a period of years during which he served as a construction inspector for the General State Authority of Pennsylvania.

The Homes executive director, P.M. Morgan is a Hawaii native, educated in New Jersey, with post-secondary education in West Virginia and Virginia. He holds a degree in psychology with a minor in political science, and has done post-graduate work in his field. He has working knowledge of the building construction trade, is knowledgeable in building codes, and helped develop the final Farmers Home 523 self-help technical assistance grant application for this project.

The coordinator-trainer, Jo Anne Haverstock is a Huntingdon area resident with post-secondary training at Elizabethtown College. She has experience as a caseworker aide, relocation technician and financial advisor, and has worked with the Allegheny County Consumer Affairs screening consumer complaints and preparing reports for the investigators.

Sylvia J. Myers, secretary-bookkeeper, is a business education graduate of Juniata Valley High School and a specialist in filing and general office practice.

5-Year History

Homes of Huntingdon County, Inc. was incorporated March 1, 1974, for the purpose of improving the amount of available good quality housing for low income families in the county. During its early years, the agency explored a variety of program ideas which could meet some of the housing needs of this population. For those early years, support and encouragement was provided by Valley Rural Electric, Inc. of Huntingdon.

With the active application for a Farmers Home self-help technical assistance project, the agency was accepted for sponsorship by Huntingdon County Commissioners Winston Chesney, James DiCosimo and D. Kenneth Brown, staffed with CETA employees and provided working office space in the Huntingdon County courthouse.

During that period, major efforts were maintained by H. Christopher Petersen of Valley Rural Electric; G. Roger Titus, rural development specialist with the Cooperative Extension Service, and Raymond D. Kemp who serves now as the organization's secretary.

At last evening's contract signing in the courthouse conference room, Chesney referred to those five years and the effort it had taken to get the program off the ground.

Significant Moment

"When Homes started in the early 70's," he said to the families in the first self-help housing group, "its aim was to help people secure their own homes in a way they can afford to do it. Having Opie here with this check is a very big step for us. It is a significant moment; this is the only effort of this kind in the state.

"We hope it works out well for all of you, and that it continues, so we can help more families down the line."

DAILY NEWS

THURSDAY, OCTOBER 11, 197

Courthouse Comments

by Jock Lane

Bedford County Press 4/6/79

HOW TO GET MONEY for housing and for community facilities will be the subject of public meetings on Thursday morning, April 19, in the county commissioners' conference room, according to an announcement from county planning director Olin Horton.

The money is available from the Farmers Home Administration (FmHA). Its representatives will be in the conference room all morning to explain how communities can apply. A meeting on housing programs is scheduled for 9 a.m. and one on community facilities starts at 10:30 a.m. Community facilities include such things as libraries and community buildings, as well as water and sewer projects, industrial park sites, medical facilities and other projects.

Everybody is invited, but the announcement mentions particularly housing authorities, banks, engineers and architects, as well as individuals. Horton said local governments can get their questions answered about what money is available and what they have to do to get it.

They should also be able to get information about how much "local share" is necessary for the various kinds of projects. That is, what it will cost in local taxes. Both grants and loans will be discussed, according to the announcement.

Horton said Bedford County is one of those areas targeted for money by some federal agencies which couldn't spend all their money last year because not enough good applications were submitted.

There ought to be a big turnout of local officials. In fact, if the turnout is as big as it should be, the hall will be too small, since the commissioners' conference room holds only about 20 people comfortably. There must be at least 100 local officials — and just interested citizens — who could benefit their communities by attending these meetings. If even half of them called Horton at the planning commission to tell him they were coming, we're sure he'd be delighted and find a bigger hall.

As for details of the meetings, the announcement says that on housing, "representatives (of FmHA) will explain in detail how each program works, eligibility, rates, terms, limitations, interest credit, conditional commitments, self-help, etc.; also the application process . . ." On the other community facilities ranging from libraries to industrial park sites, "eligibility criteria, project priority considerations and application process will be discussed."

"Questions are cordially invited," says the announcement and among the questions should be those about the local share for particular programs. When the local share is "only" 10 or 20 percent that doesn't sound like much. However, if the project is for $5 million, that makes the local share $500,000 to $1 million. These things have to be clarified since the apparently "federal" programs can turn out to cost more than we can afford. But some of these programs are completely federal. And some are cheap.

These meetings, arranged by the Bedford County Planning Commission, are the time to find out about these things.

Tuesday April 10, 1979 — Bedford Daily Gazette.

The Bedford County Planning Commission has scheduled two meetings for April 19 to explain Farmers Home Administration programs that can aid local development projects. The 9 a.m. meeting will deal with housing programs; at 10:30 a.m., the meeting will cover sewer and water projects, industrial sites and other community facilities. The planning commission has invited authorities, municipalities, developers and engineers to the meetings, which will be held in the county commissioners conference room in the Russell House opposite the Bedford courthouse.

The Fulton Co. News
4/12/79

HOPE to Be Revived For Ridge Projects

Tentative plans are in the works for a proposed meeting between the board of directors of both H.O.P.E. and the county Housing Authority to discuss water, sewerage and housing in the Ridge community west of McConnellsburg.

Pat Miller of Southern Alleghenies Planning and Development Commission said his organization was contacted by the Reverend Harry Branch concerning sewer and water improvements in the Ridge area. Miller, along with Craig Zumbrun and John Boyer of the Department of Community Affairs, visited the community last week and spoke with Branch and several residents.

Branch told them of his involvement with H.O.P.E., Homes on People's Energies, an organization begun several years ago which has become less active in recent months. Four houses were built through H.O.P.E. efforts, and the community would like to rekindle interest in the program.

Miller, Zumbrun and Boyer are waiting for word on the legal status of H.O.P.E. before making definite plans. Ed Frownfelder, attorney for H.O.P.E., said he is trying to obtain the necessary paperwork on the organization now.

Miller said a meeting between several county housing agencies will then be scheduled to discuss possible projects for the Ridge community.

Housing Authority Expands Services

The Bedford County Housing Authority has recently expanded its range of services to Bedford County residents according to the authority's Executive Director, Lynn Casteel. Working in cooperation with the local office of the Farmers Home Administration and the Pennsylvania State Department of Community Affairs, the authority will be actively seeking to assist eligible families applying for low interest housing purchase and repair loans and grants for very low income elderly families who need home repairs. This program will be in addition to the existing rehabilitation program now active throughout the county. Eligible activities include: construction to correct existing deficiencies, correction of inadequate or substandard plumbing and wiring and even installation of needed water and sewer systems.

The FmHA funds can be used in direct connection with the county's weatherization program. Money can be made available to pay for any additional repairs needed to make a home safe and sound.

Anyone interested may apply at the authority in person at 230 South Juliana Street or call 623-1477.

FmHA loan aid now offered locally

By PAUL POLITIS

Persons interested in buying, building, rehabilitating or even moving a house now have a new possible source of loan money as a result of action taken by Fulton County Housing Authority board of directors this week.

From now on, persons may apply for loans through the Farm Home Administration, FmHA, in the Fulton County Housing Authority office at 115 Lincoln Way West, McConnellsburg. Prior to the board's action, persons interested in FmHA loans had to make appointments with the FmHA area director, who is only in Fulton County two days a month, and wait long periods for application approval.

According to Margaret Fletcher, Housing Authority executive director, she and her staff — LuAnne Keebaugh — will provide information concerning FmHA loans, will assist with completing and expedite processing of applications and will do some home inspection required in the program.

The board's action was prompted by a visit last week by Craig Zumbrun, Housing Specialist with the Department of Community Affairs, who explained the FmHA offerings to board members and Mrs. Fletcher.

Zumbrun said that the program is open to all at interest rates ranging from one to nine percent. It has $180 million allocated to Pennsylvania this year and less than half of that amount has been granted to persons so far. Also, he noted, FmHA wants more of its money to go to areas that are truly rural, as most of the money at present seems to be going to larger suburban counties that are not really rural.

For persons building or buying a home, the program offers guaranteed loans through any local bank at the bank's rate of interest for persons making in excess of $15,600 a year. For those making between $11,200 and $15,600, it offers loans at nine percent interest. For persons making less than $11,200, it offers interest rates ranging from nine percent down to one percent depending on a family's income.

For home repair, the same scale is used along with an incentive program for low income persons, offering loans at three percent or less. There are also outright grants of up to $5,000 available to homeowners who are over 62 years of age.

Zumbrun said such loans and grants could be used in tandem with the Community Development grants which were recently applied for through the federal Department of Housing and Urban Development. Thus more work could be done on a particular home and perhaps the money could be used to expand the presently planned housing rehabilitation program out of the Todd and Thompson Township target areas.

Aid through FmHA is also available, Zumbrun said, for rental units — either for new construction or for renovating old buildings into apartments.

Fore more information, contact the Housing Authority office at 485-4041.

Democrat

McConnellsburg, Pennsylvania Thursday, April 5, 1979

FmHA application aid a step closer

Fulton County Housing Authority director Margaret Fletcher last week heard more information on processing FmHA loan applications for county residents interested in securing funds for home purchase, construction or rehabilitation.

Mrs. Fletcher met with Patrick Miller of Southern Alleghenies Planning and Development Commission, Craig [illegible] and John Bover of the state Department of Community Affairs, Sam Horne of FmHA and Dick McEldowney of EADS consulting engineers and planners.

The six further discussed the FmHA loan opportunities for Fulton Countians, first reported in the March 22 Democrat, and the role the housing authority will be playing in helping persons apply for FmHA aid. Previously, persons could only apply to Horne, who was in the county just two days a month. Now aid in applying for the loans, which range from one to nine percent interest, will be available in the housing authority office on Lincoln Way West.

Mrs. Fletcher said that as a result of the latest meeting, plans were furthered for combining weatherization projects, possible rehabilitation grants through a recently applied for Community Development Fund grant and FmHA loans to do more complete housing rehabilitation over a wider area of the county.

Mrs. Fletcher also reported Friday that the five agency representatives toured the area west of McConnellsburg along Old Route 30 for which funds have been requested to extend sewer and water lines.

She also reported that she is currently hoping to get authorization for 40 to 50 more rent subsidies, in which the government will pay up to 75 percent of the rental costs for low income persons. The county currently is allocated 75 rent subsidies.

Fulton Democrat

R Vol. 128, Number 16 McConnellsburg, Pennsylvania Thursday April 19, 1979

For half-mile extension westward

$100,000 sewer line grant OK'd

By PAUL POLITIS
Editor

Fulton County has been virtually guaranteed of receiving a $100,000 grant to extend McConnellsburg sewer lines approximately one-half mile west along Old Route 30.

Margaret Fletcher, executive director of Fulton County Housing Authority, announced Friday that the grant, one of two applied for under the federal Small Cities Community Development Grant program, has been approved and will probably be received by October.

She said that a final application will now have to be submitted by July, detailing specifications and costs, but added that that application is relatively routine if all goes smoothly since the money "has been set aside for us."

Meanwhile, the fate of the county's other application under the program — for $400,000 for rehabilitation of 50 to 60 substandard homes in Todd and Thompson Townships — is not known. "We should hear very soon," Mrs. Fletcher said. "But I think if we were going to get it the whole thing would have been approved as a package."

Mrs. Fletcher pointed out that in addition to providing sewerage and clean water to the Ridge area, the sewer line will open up land between Fulton Motor Sales and the homes now on the Ridge to development.

Fulton Industrial Development Authority (FIDA), she said, has stated that they would hope to get something into that area if sewer is provided. "Something is bound to happen out there in the next few years," she said. "Land with sewer around here is just too scarce."

The pre-application called for 2,500 feet of eight-inch sewer line to be extended west of town, plus 500 feet of house laterals.

Mrs. Fletcher said that if the housing rehabilitation grant does not come through, many families who might have benefitted from it may be able to receive loans or grants through the expanding Farm Home Administration (FmHA), which has been the topic of considerable discussion locally in recent months. The housing authority office is currently handling applications and assisting persons interested in seeking FmHA loans or grants for home construction, purchase, or rehabilitation.

Some such money, it was noted, may be needed on the Ridge area, as many of the homes there do not currently have indoor plumbing that would be needed to use the new sewer lines. Also, residents will have to pay individually for the sewer line hookup to their homes and will then have to begin paying the borough's monthly sewer bill.

APPENDIX K

PENNSYLVANIA DEPARTMENT OF COMMUNITY AFFAIRS

BUREAU OF COMMUNITY PLANNING

A WORKSHOP ON FARMERS HOME ADMINISTRATION SINGLE AND MULTI-FAMILY HOUSING PROGRAMS

DATE:

Thursday, September 20, 1979
9:00 A.M. to 12:00 Noon

LOCATION:

Trinity Lutheran Church Community Room
20 Public Square Bedford

WHO SHOULD ATTEND:

Realtors, Bankers, and other Packagers

TOPICS:

* Conditional Commitments for Developers

* Guaranteed Mortgages

* Direct Loans

* Interest Credit Mortgages

* Packaging Philosophy

* Incentive Credit Programs

* Multi-Family Housing Programs

The workshop will be conducted by District and County FmHA staff, DCA Specialists, and Robert Shrack, Realtor. Attendees will be presented with sample application packages; the workshop will focus on the essential why's, how's, who's, and where's of the FmHA Housing Programs.

For reservations please fill out the attached card and return by September 17, 1979.

The workshop is free of charge.

AGENDA

BANKING AND HOUSING FARMERS HOME ADMINISTRATION WORKSHOP
September 20, 1979

Welcome/Introduction	Peter Folen, Director Bedford County Planning Commission
Farmers Home Outreach Packaging Philosophy, Department of Community Affairs, Section 111 Program	John F. Boyer, Jr., Economic Development Specialist Bureau of Community Planning Department of Community Affairs
Farmers Home Administration Housing Program Overview	Craig Zumbrun, Housing Specialist Bureau of Community Planning Department of Community Affairs
Using Farmers Home Administration Programs, a Realtors Viewpoint	Robert Schrack Schrack Realty Company, Huntingdon
Conditional Commitments	Ray McCracken, Assistant Director Chambersburg District Office Farmers Home Administration
Guaranteed Loans	Calvin C. Rhodes, County Supervisor Cambria County Office Farmers Home Administration
Direct Loans	Samuel Horn, County Supervisor Bedford County Office Farmers Home Administration
Interest Credit Loans	Richard Lehman, County Supervisor Somerset County Office Farmers Home Administration
Housing Rehabilitation Programs	Opie G. Boyer, Jr., County Supervisor Huntingdon County Office Farmers Home Administration
Self-Help Housing Programs and Site Development	John F. Boyer, Jr. Craig Zumbrun Bureau of Community Planning Department of Community Affairs
Rural Rental Housing	Ray McCracken
Questions, Answers and Comments	

Adjournment

APPENDIX L

CAMBRIA COUNTY RURAL HOUSING AIDE
PROGRESS REPORT

Mary Kay Sherman

Cambria County - Office on Aging
Report as of October 1979
Began Work - May 1979 - CETA employment through May 1980

1. 504 Grants and Loans:
   a. Met with approximately fifty prospective applicants. Submitted twenty applications, five of which have been approved to date.

   b. Provided assistance to families and senior citizens regarding contractor estimates and weatherization.

2. 502 Loans:
   a. Contacted approximately fifteen prospective applicants. Five applications have been submitted but none have been approved to date.

   b. Developed a family expense/budget questionnaire used to prescreen prospective applicants. Assisting in the preparation of the family budgets is a major work element in Cambria County.

3. Outreach Work:
   a. Many leads were obtained through routine Office on Aging activities.

   b. Public Service announcements were broadcast over local radio stations with good success.

   c. Advertisements were placed in local newspapers explaining the outreach assistance and FmHA housing programs. There was a good response from this effort.

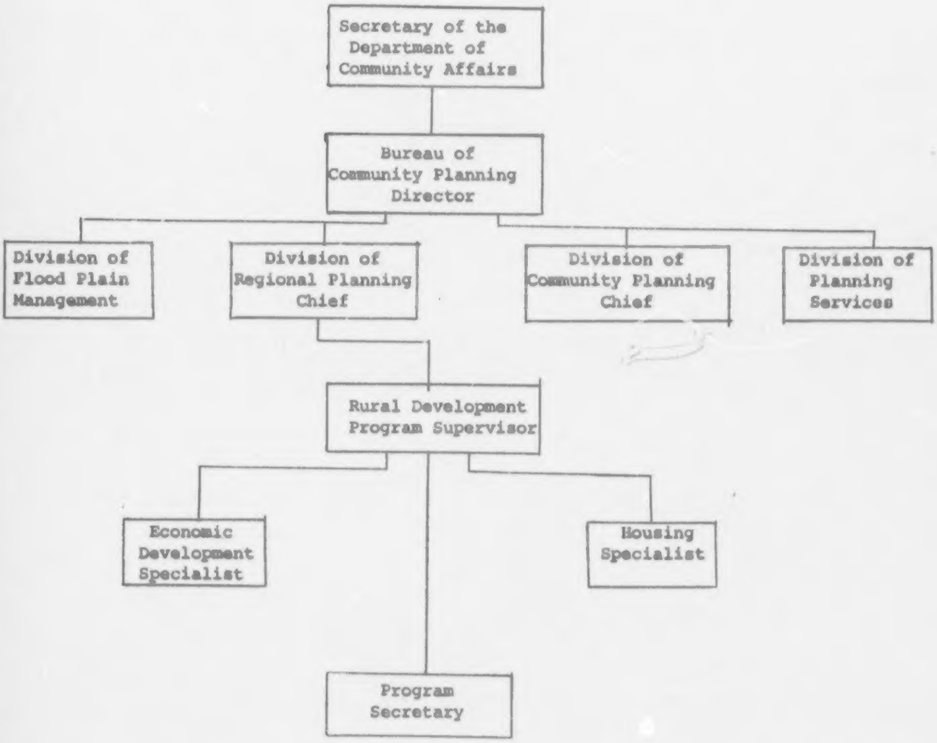
   d. FmHA fact sheets and various other materials were sent by maileto many who telephoned for information.

   e. Posters with detachable informational fliers were prepared and placed in senior citizen centers, nutrition sites, banks, Groceries and other establishments. There was little response that could be attributed directly to this effort.

   f. The Rural Housing Aide delivered informal presentations to various interested community groups.

APPENDIX M

PENNSYLVANIA DEPARTMENT OF COMMUNITY AFFAIRS
BUREAU OF COMMUNITY PLANNING
SECTION 111 ORGANIZATIONAL CHART


Secretary of the Department of Community Affairs
Bureau of Community Planning Director
Division of Flood Plain Management
Division of Regional Planning Chief
Division of Community Planning Chief
Division of Planning Services
Rural Development Program Supervisor
Economic Development Specialist
Housing Specialist
Program Secretary

APPENDIX N

REDEVELOPMENT AUTHORITY OF THE COUNTY OF DAUPHIN

HOUSING INSPECTION REPORT

Name ______________________ Block __________ Parcel Number ________

Address ______________________ Number of Stories __________

______________________ Number of Rooms ____________

Date ______________________ Rehabilitation Specialist _________

Exterior

Scale: 1"__

I. Property Description

A. Type of Dwelling: ___ Single-Family ___ Commercial ___ [illegible] ___ Mixed Use ___ Other

B. Type of Structure: ___ Brick ___ Frame ___ Siding ___ [illegible]

C. Type of Roof: ___ Shakes ___ Tar Paper ___ Metal ___ [illegible] ___ Asphalt Shingles ___ Other

D. Type of Foundation: ___ Slab ___ Block ___ Stone ___ Other

E. Type of Heat: ___ Steam/water ___ Air ___ Stove ___ Fireplace ___ Other

F. Type of Hot Water Supply: ______________ Fuel Type: ____________

General Conditions	Conforms		Repair or Replacement Required	Reinspection
	Yes	No		
General Safety				
Cleanliness				
Floor Space				
Room Arrangement				
Ceiling Heights				
Access				
Egress				
Exterior				
Porches No.				
Steps				
Outside Stairs				
Roof Material				
Chimneys No.				
Gutters				
Down Spouts				
Trim				
Siding Material				
Foundation				
Yard Maintenance				
Walks				
Basement			# Rec. # Ceil. Lt. # Sw.	
Electrical				
Stairs				
Handrails				
Foundation				
Floor				
Floor Joists				
Beams				
Furnace				
Plumbing				
Hot Water Heater				
Infestation				
Windows/screens				

Room Location	Conforms		Repair or Replacement Required			Reinspection
	Yes	No	# Rec.	# Ceil Lt.	# Sw.	
Bedroom # 2 ____ X ____						
Electrical						
Ceilings						
Walls						
Doors						
Windows						
Floors						
Closets						
Screens						
Bedroom # 3 ____ X ____						
Electrical						
Ceilings						
Walls						
Doors						
Windows						
Floors						
Closets						
Screens						
Bedroom # 4 ____ X ____						
Electrical						
Ceilings						
Walls						
Doors						
Windows						
Floors						
Closets						
Screens						
Stairs, Second Floor						
Handrails						
Steps						
Walls						
Ceiling						

Room Location	Conforms		Repair or Replacement Required	Reinspection
	Yes	No		
Bathroom # 1 ____ X ____			# Rec. | # Ceil. Lt. | # Sw.	
Electrical				
Ceiling				
Walls				
Doors				
Windows				
Floors				
Screens				
Tub/Shower				
Water Closet				
Lavatory				
Plumbing				
Medicine Cabinet				
Ventilation Mechanical				
Bathroom # 2 ____ X ____				
Electrical				
Ceiling				
Walls				
Doors				
Windows				
Floors				
Screens				
Tub/Shower				
Water Closet				
Lavatory				
Plumbing				
Medicine Cabinet				
Ventilation Mechanical				
Hallways				
Electrical				
Ceilings				
Walls				
Floors				
Doors/Closets				

Room Location	Conforms		Repair or Replacement Required			Reinspection
	Yes	No				
Dining ____ X ____			# Rec.	# Ceil. Lt.	# Sw.	
Electrical						
Ceiling						
Walls						
Floors						
Windows						
Doors						
Screens						
Kitchen ____ X ____						
Electrical						
Sink						
Plumbing						
Ceiling						
Walls						
Floors						
Windows						
Doors						
Screens						
Range Type:						
Cabinets						
Counters						
Refrigerator						
Ventilation Mechanical Hood						
Add. First Floor Room ____ X ____						
Electrical						
Ceiling						
Walls						
Floors						
Windows						
Doors						
Screens						

Scale: 1"=

II. Second Floor Layout

A. Number of Rooms ___

Room Location	Conforms Yes	No	Repair or Replacement Required			Reinspection
Bedroom # 1 ___ X ___			# Rec.	#Ceil. Lt.	#Sw.	
Electrical						
Ceilings						
Walls						
Doors						
Windows						
Floors						
Closets						
Screens						

Comments: ______________________________

Scale: 1"=__

Room Location	Conforms		Repair or Replacement Required			Reinspection
	Yes	No	# Rec.	# Ceil. Lt.	# Sw.	
Living ____ X ____ Electrical						
Ceiling						
Walls						
Floors						
Windows No.						
Doors						
Screens						

Comments: ____

____

____

____

CENTRAL CONTROL LOG
(Suggested Format)

502 NEW CONSTRUCTION

Applicant's Name	Address	Name & Phone Number of Packager	Date of Initial Contact	Date Complete Application Filed	Date Loan Closed	Date Inspected	First Draw	Second Draw	Additional Contacts	Dates: Completed & Occupied

502 EXISTING UNITS

Applicant's Name	Address	Name & Phone Number of Packager	Date of Initial Contact	Date Complete Application Filed	Date of Appraised Inspection	(If Repairs Required) Date Applicant Notified	Date Reinspected	Additional Comments	Date Loan Closed

502-504 REPAIR PROGRAM

Applicant's Name	Address	Name & Phone Number of Packager	Date of Initial Contact	Date Complete Application Filed	Date of Appraised Inspection	Date Repair Estimates Received	Date Loan Closed	Date Repair Inspection	First Draw	Second Draw	Completion/ Comments

515 RENTAL HOUSING

Applicant's Name	Address	Consultant	Date of Initial Contact	Date Complete Preapplication Filed	Date Preapplication Notification Sent	Date Final Application Submitted	Date Approved	Inspection Dates	Comments	Date Loan Closed

APPENDIX P

BACKGROUND DATA
THE FARMERS HOME ADMINISTRATION EXPERIENCE

Keys to Charts

Exhibit Number	Title
I.	Productivity of staff members: A state by state comparison
II.	Number of rural households/the relationship to FmHA staff nationally
III.	Housing dollars per substandard units 1975
IV.	Housing dollars per substandard units 1977
V.	FmHA National Housing Production FY 69 to FY 75
VI.	Interest credit funds spent nationally as a percentage of total 502 funds

Exhibit I

PRODUCTIVITY PER STAFF MEMBER

FmHA HOUSING PRODUCTION SINCE 1964 to 1974 AND AS RELATED TO COUNTY STAFF BY STATE

State	Substandard Households in FmHA Areas	FY 69-75 Total FmHA Assisted Housing Units	Staff	Production Rate Col. 2 ÷ Col. 1
Alabama	163,940	26,614	192	138.6
Alaska	17,030	760	2	106
Arizona	36,410	12,417	68	183
Arkansas	112,270	27,634	235	118
California	103,890	14,926	99	184
Colorado	28,370	6,285	92	68
Connecticut	17,500	3,349	3	228
Delaware	8,970	2,461	98	190
Florida	106,360	16,539	91	181
Georgia	177,580	23,788	186	128
Hawaii	16,120	2,551	4	184
Idaho	19,860	14,886	108	138
Illinois	110,340	16,660	147	113
Indiana	102,320	21,415	109	196
Iowa	61,200	19,754	180	110
Kansas	38,270	8,814	114	77
Kentucky	197,480	21,585	181	119
Louisiana	132,540	9,924	150	66
Maine	42,080	20,439	118	173
Maryland	50,900	7,681	5	190
Massachusetts	28,580	2,575	9	228
Michigan	108,090	24,550	104	236
Minnesota	86,930	10,603	166	64
Mississippi	153,160	35,893	330	108
Missouri	123,050	27,029	234	115
Montana	23,250	2,596	77	35
Nebraska	26,670	5,915	111	53
Nevada	5,880	774	4	184
New Hampshire	15,380	4,041	3	228
New Jersey	24,800	9,107	5	190
New Mexico	37,300	5,482	78	70
New York	94,710	17,483	135	129
North Carolina	248,140	40,225	273	147
North Dakota	24,140	6,780	136	50
Ohio	145,670	22,072	91	242
Oklahoma	64,970	19,155	195	98
Oregon	30,620	7,140	74	106
➤ Pennsylvania	160,700	13,509	93	145
Rhode Island	4,160	768	3	228
South Carolina	140,030	28,617	152	188
South Dakota	27,390	6,911	139	49
Tennessee	173,010	28,923	204	142
Texas	233,980	33,614	388	86
Utah	12,330	7,092	66	107
Vermont	13,500	6,421	88	228
Virginia	182,290	33,590	117	287
Washington	36,860	11,357	86	132
West Virginia	104,920	14,514	102	142
Wisconsin	85,190	17,266	162	106
Wyoming	9,550	3,163	54	58
UNITED STATES	3,968,680	733,002	5,913	124

Exhibit II

PENNSYLVANIA'S OVERBURDENED FmHA STAFF

NUMBER OF RURAL HOUSEHOLDS, SUBSTANDARD HOUSEHOLDS IN FARMERS HOME ADMINISTRATION SERVED AREAS, AUTHORIZED STAFF POSITIONS AND NUMBER OF HOUSEHOLDS PER STAFF MEMBER (1975)

State	Number of Rural Households	Number of Substandard Households in FmHA Areas	Authorized Staff	Col. 2 ÷ Col. 3 Number Households Per Staff Member
Alabama	415,633	163,940	192	853
Alaska	38,198	17,030	2	652
Arizona	101,552	36,410	68	535
Arkansas	299,020	112,270	235	477
California	542,533	103,890	99	1,271
Colorado		28,370	92	308
Connecticut	195,953	17,500	3	905
Delaware	46,874	8,970	98	876
Florida	421,353	106,360	91	1,168
Georgia	522,037	177,580	186	954
Hawaii	33,106	16,120	4	1,271
Idaho	95,840	19,860	108	183
Illinois	573,745	110,340	147	750
Indiana	543,896	102,320	109	938
Iowa	373,465	61,200	180	340
Kansas	245,229	38,270	114	335
Kentucky	456,114	197,480	181	1,091
Louisiana	337,414	132,540	150	833
Maine	145,677	42,080	118	856
Maryland	254,891	50,900	5	876
Massachusetts	251,016	28,580	3	905
Michigan	664,179	108,090	104	1,039
Minnesota	369,627	86,930	166	523
Mississippi	339,298	153,160	330	464
Missouri	451,747	123,050	234	525
Montana	96,767	23,250	77	301
Nebraska	181,169	26,670	111	240
Nevada	29,651	5,880	4	1,271
New Hampshire	96,313	15,380	3	905
New Jersey	234,911	24,800	5	876
New Mexico	79,501	37,300	78	478
New York	753,125	94,710	135	627
North Carolina	815,185	248,140	273	908
North Dakota	101,581	24,140	136	179
Ohio	753,447	145,670	91	1,600
Oklahoma	266,964	64,970	195	333
Oregon	212,321	30,620	74	652
➤ Pennsylvania	989,647	160,700	93	1,727
Rhode Island	32,211	4,160	3	905
South Carolina	373,427	140,030	152	921
South Dakota	109,955	27,390	139	197
Tennessee	488,381	173,010	204	848
Texas	698,811	233,980	388	603
Utah	55,405	12,330	66	186
Vermont	87,524	13,500	88	905
Virginia	491,526	182,290	117	1,558
Washington	285,283	36,860	86	128
West Virginia	317,529	104,920	102	1,028
Wisconsin	427,042	85,190	162	525
Wyoming	39,907	9,550	54	176
UNITED STATES	15,432,815	3,968,680	5,913	671

Exhibit III

FARMERS HOME ADMINISTRATION (FmHA) HOUSING PROGRAM DOLLARS PER SUBSTANDARD HOUSEHOLD IN FmHA SERVICE AREAS, FISCAL YEAR 1977

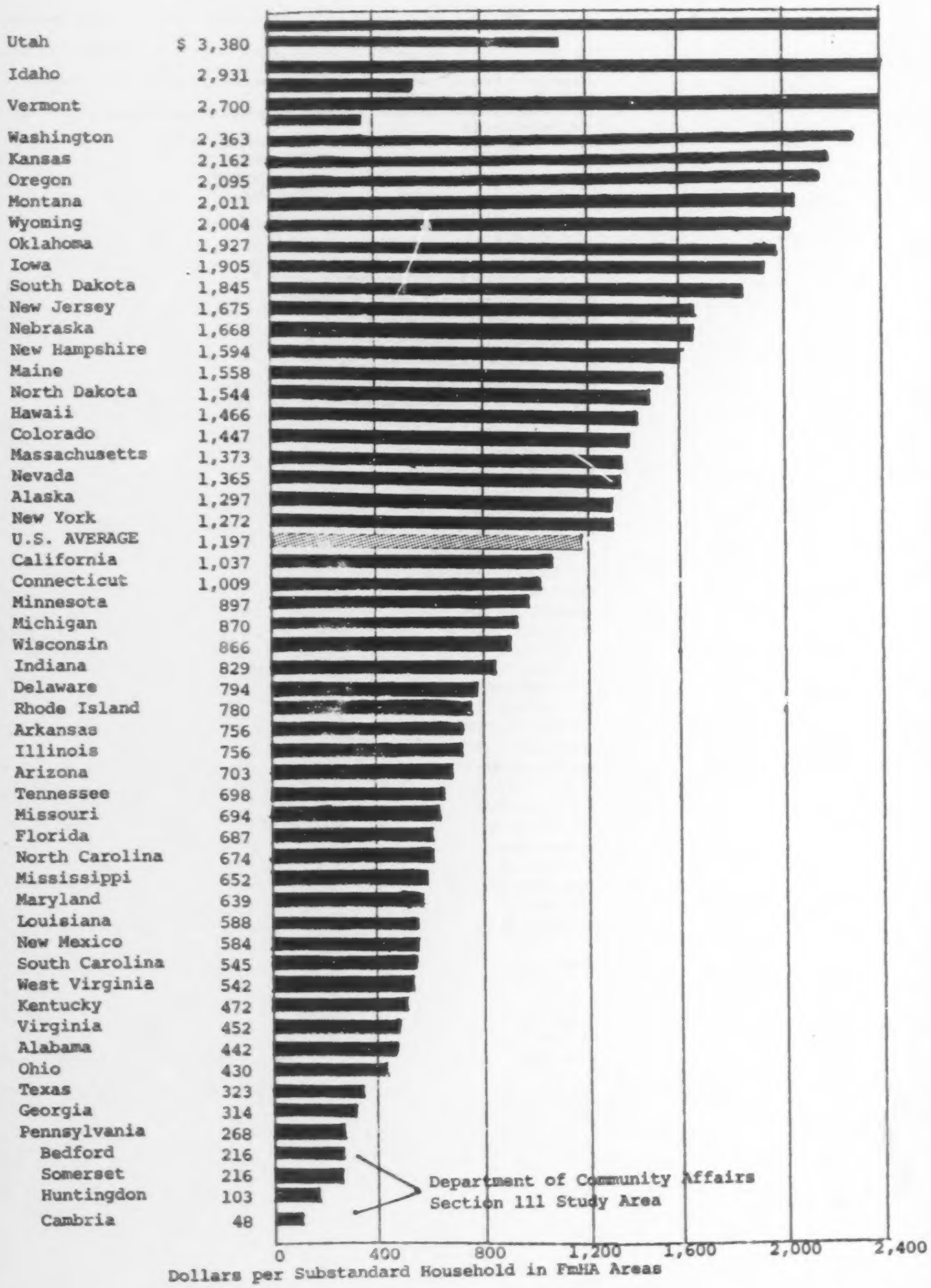


Exhibit IV

FARMERS HOME ADMINISTRATION (FmHA) HOUSING PROGRAM DOLLARS
IN FISCAL YEAR 1975 PER SUBSTANDARD HOUSEHOLD IN FmHA SERVED AREAS

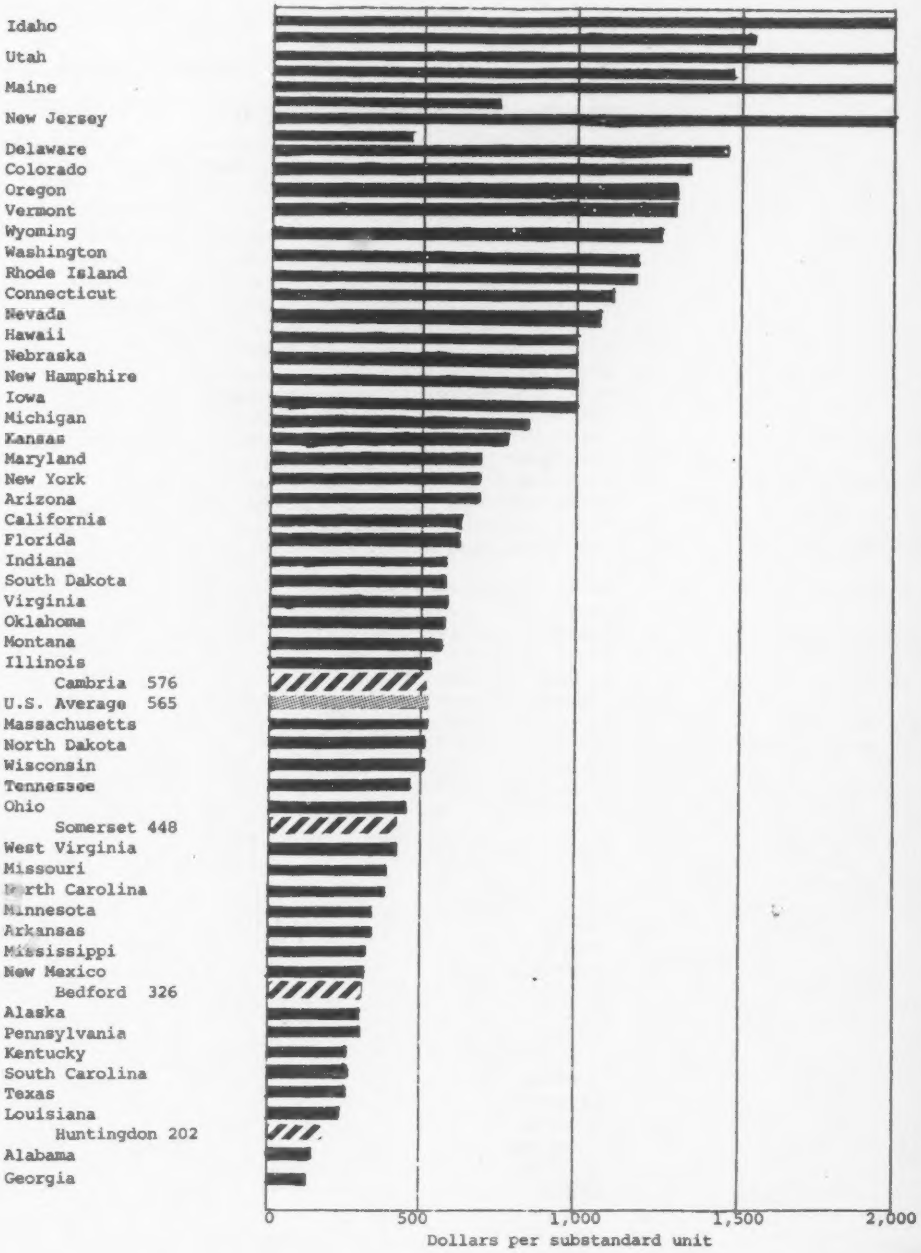


Exhibit V

FmHA HOUSING PRODUCTION FY 69 to FY 75 AND AS A PROPORTION OF NEED, AND RANK, BY STATE

State	Substandard Households in FmHA Areas	FY 69-75 Total FmHA Assisted Housing Units	Percent Col. 2 of Col. 1	Rank by Percent
Alabama	163,940	26,614	16.2	32
Alaska	17,030	760	4.5	50
Arizona	36,410	12,417	34.1	6
Arkansas	112,270	27,634	24.6	15
California	103,890	14,926	14.4	40
Colorado	28,370	6,285	22.2	20
Connecticut	17,500	3,349	19.1	26
Delaware	8,970	2,461	27.4	12
Florida	106,360	16,539	15.6	34
Georgia	177,580	23,789	13.4	42
Hawaii	16,120	2,551	15.9	33
Idaho	19,860	14,886	75.0	1
Illinois	110,340	16,660	15.1	36
Indiana	102,320	21,415	20.9	23
Iowa	61,200	19,754	32.3	8
Kansas	38,270	8,814	23.0	18
Kentucky	197,480	21,585	10.9	46
Louisiana	132,540	9,924	7.5	49
Maine	42,080	20,439	48.6	3
Maryland	50,900	7,681	15.1	37
Massachusetts	28,580	2,575	9.0	47
Michigan	108,090	24,550	22.7	19
Minnesota	86,930	10,603	12.2	44
Mississippi	153,160	35,893	23.4	16
Missouri	123,050	27,029	22.0	22
Montana	23,250	2,596	11.2	45
Nebraska	26,670	5,915	23.2	21
Nevada	5,880	774	13.2	43
New Hampshire	15,380	4,041	26.3	13
New Jersey	24,800	9,107	36.7	5
New Mexico	37,300	5,482	14.7	38
New York	94,710	17,483	18.5	27
North Carolina	248,140	40,225	16.2	31
North Dakota	24,140	6,780	28.1	11
Ohio	145,670	22,072	15.2	35
Oklahoma	64,970	19,155	29.5	10
Oregon	30,620	7,140	23.3	17
Pennsylvania	160,700	13,509	8.4	48
Rhode Island	4,160	768	18.5	28
South Carolina	140,030	28,617	20.4	24
South Dakota	27,390	6,911	25.2	14
Tennessee	173,010	28,923	16.7	30
Texas	233,980	33,614	14.4	39
Utah	12,330	7,092	57.5	2
Vermont	13,500	6,421	47.6	4
Virginia	182,290	33,590	18.4	29
Washington	36,860	11,357	30.8	9
West Virginia	104,920	14,514	13.8	41
Wisconsin	85,190	17,266	20.3	25
Wyoming	9,550	3,163	33.1	7
UNITED STATES	3,968,680	733,002	18.5	

Exhibit VI

LOW INCOME HOUSING SUBSIDIES

FARMERS HOME ADMINISTRATION SECTION 502 WITH INTEREST CREDIT FUNDS OBLIGATED AS A PERCENT OF TOTAL SECTION 502 FUNDS OBLIGATED, BY STATE, FOR FISCAL YEAR 1975

State	Percent
Maine	87
Oregon	79.1
California	77.5
Arizona	76.9
Kentucky	74.9
Mississippi	73.9
Arkansas	73.6
Nevada	72
Idaho	72
Utah	72
Rhode Island	71.5
Florida	71.5
Louisiana	70.5
Virginia	70.3
West Virginia	68.3
Nebraska	66.7
Tennessee	63.9
Montana	63.9
New Mexico	63.1
Colorado	62.5
Wisconsin	62.2
South Carolina	61.7
UNITED STATES	61.5
Illinois	59.3
Missouri	59.2
Oklahoma	58.6
Texas	58.4
Delaware	57.9
Vermont	56.7
South Dakota	56.3
North Carolina	55.0
New Jersey	54.7
Ohio	54.6
Maryland	53.5
Indiana	53.3
Hawaii	52.5
Alabama	51
Washington	50.9
North Dakota	50.6
Massachusetts	45.7
Michigan	44.1
Connecticut	42.9
Georgia	42.9
New York	41.9
Alaska	41.4
Minnesota	40.8
New Hampshire	40.7
Kansas	40.4
Iowa	35.8
➤ Pennsylvania	35.1
Wyoming	29.3

Ms. **Dennis.** In discussing a direct role in any future Federal program for rural housing preservation and rehabilitation, it is necessary to keep three things in mind. First, many States are already active in the areas of rural housing and related development.

Second, the needs of people living in rural areas for housing and related services is great.

Third, rural needs and circumstances vary among States and to be successful programs must be sensitive and responsive to the diverse community development needs among the Nation's rural communities.

NATION'S LARGEST RURAL POPULATION

For example, Pennsylvania is perceived by many as a major urbanized industrial State. It is also the State with the Nation's largest rural population. Yet the rural condition in Pennsylvania is in many ways different from the farm dominated rural areas outside of the industrial Northeast. Four out of five rural residents in Pennsylvania do not live on farms. Most of the employment opportunities in rural Pennsylvania are clustered around certain small population centers widely dispersed throughout the Commonwealth and intermingled with our urban centers.

Like their urban counterparts, these rural centers represent a substantial amount of past, public, and private investment which can be used to leverage new investment and economic growth. For this reason, our State's policy is one of restoration and preservation of existing housing stock, thereby preserving as well the farmlands and forests of our State.

In addition, because the United States is predominantly an urban nation, it's national programs often fail to accommodate the smaller scale, sparsely populated, more distant settlement patterns of rural America. While many large communities receive program funds automatically, smaller localities must compete for funds which are often so tightly regulated and urban oriented that they may not be well used in rural areas.

Rural America's low-income population could be described as the invisible poor, persons with weak adequacy skills, where local governments are in some cases ill-equipped to compete for available Federal funds.

For these and other reasons, we cannot adequately address our rural housing and development needs without a continuing strong Federal commitment in this critical area.

My purpose here today is to suggest that providing a greater role for States in rural housing policy and delivery would increase the effectiveness of available resources and improve housing conditions for the rural poor. The State's experience in administering HUD's small cities CDBG program, as well as their experience in operating State and Federal housing programs, testifies to their capacity.

First, States have been very successful in their conscious attempt to involve smaller, more rural communities. In Pennsylvania, over 75 percent of our community development applications came from communities of less than 10,000 in population, 50 percent from communities of less than 2,500 population.

Second, States have evidenced a significant concern for technical assistance for local planning and management assistance and for capacity building.

Third, States have extensively involved local officials in the design of their programs which the initial General Accounting Office report on State administration of the CDBG program pointed out.

Fourth, States have used the CDBG program to continue to meet a whole range of community development needs. In Pennsylvania, I am proud of our commitment to addressing rural housing needs. The State multi-million dollar funded housing program has been designed to reflect the unique quality of our housing stock and over 40 percent of our funds have gone to nonentitlement and rural communities. Since the beginning of 1979, the Pennsylvania Housing Finance Agency, of which I am chairperson, has funded a total of 138 projects resulting in over 11,000 housing units. A significant portion of these projects are in our older rural centers. Both this year and next, at least 60 percent of our community development block grant funds will fund housing and housing-related activities.

APPALACHIAN REGIONAL COMMISSION

Other initiatives which we have taken include a redesign of our component of the Appalachian Regional Commission (ARC) program to establish a $350,000 revolving loan fund for housing and participation in HUD's rental rehab program this fiscal year. This $1 million HUD and State-funded program will benefit 9 rural communities of the 12 communities selected by DCA throughout the State of Pennsylvania.

I believe this aptly demonstrates the capacity, commitment, and desire of States to become substantial partners with the Federal Government in rural housing programs. I would like to further explain to you why that partnership is desirable and necessary.

First, it is vitally important to leverage and coordinate resources and to integrate activities to achieve long-term success and because the States each control a significant amount of rural development resources it would be productive if greater coordination of these resources occurred.

In the statement I submitted I referred to a year-long study conducted during 1979 by our Department and Farmers Home which explored the need for State and Federal coordination to improve our rural centers. I hope you and your staff will carefully review our experiences. I only wish to say here that the study was prompted by the fact that Pennsylvania ranked 47th among States in housing assistance received from Farmers Home and 49th in housing assistance through subsidized interest rates, at a time when nearly 15 percent of our rural households were listed as substandard.

AWAKE FARMERS HOME STAFF

The most important achievement of that study was our ability to awaken Farmers Home staff to the need to develop what we referred to as a rural investment strategy.

For these reasons, I would like to suggest the desirability of a direct State role in any rural housing rehabilitation program considered by this subcommittee. Since this is not the appropriate time to suggest details, I would like to outline the major elements of such a partnership.

First, a rural housing rehabilitation program should provide an adequate amount of money to the States through a form of entitlement that reflects rural housing needs. Ideally, the funding would not result in any decrease in overall Federal funding for rural housing. States should have the option to either participate in the program or to have the program or a similar program administered by Farmers Home.

Second, the program should be targeted to lower income people with a portion of the funds to be used for those with incomes up to 80 percent of an area's median income.

Third, from my vantage point as chairperson of a housing finance agency with a multimillion-dollar portfolio, I would urge the necessity for program design flexibility as being most likely to produce projects that successfully match program resources to those truly in need. At a minimum, States should be able to choose a mixture from among the range of housing types eligible for rehabilitation, determine the level of rehabilitation effort among units, establish the appropriate amount of money to be spent on each unit, decide on the form of assistance to be provided from the State.

Fourth, there must be an availability to use tax-exempt financing and Farmers Home financing with rural housing rehabilitation grant funds.

Fifth, States should have the ability to allocate their funds through whatever entity can best operate an effective rehabilitation program.

Sixth, there should be assurances that the rehabilitated units will be occupied by lower income people for a period of time, including a set-aside rental assistance payment or certificates.

Seventh, to be at all meaningful, the rehabilitated units should meet HUD's existing housing standards or local housing standards, whichever is greater.

Eighth, there must be adequate administrative costs provided to allow for competent program design and effective program management.

Finally, there must be a consultation process for developing a State program design that includes working with local governments, nonprofit organizations, community groups and citizens.

A program designed around these principles with States working in concert with the Federal Government will be an improvement over the way we currently use our resources and would provide better housing to our rural poor. I offer the assistance of COSCAA members and our staff to work with this subcommittee further if you so desire. Thank you for the opportunity to meet with you this morning and I would be pleased to answer any questions at the appropriate time.

Senator MATTINGLY. Thank you. Is this the result of the study you did?

Ms. **Dennis**. Some of it is the result of the study that was done in Pennsylvania and some of it is the result of our national organization's review.

Senator **Mattingly**. You've gone down through a list there. Was that from the national organization?

Ms. **Dennis**. Yes.

Senator **Mattingly**. You had some good ideas in there. I think we can use some of those.

Ms. **Dennis**. Hopefully, and they're talked about in more detail in the statement that I submitted and they are the result of the national group's deliberations.

Senator **Mattingly**. Did you also submit for the record the study?

Ms. **Dennis**. Yes, I did.

Senator **Mattingly**. The whole study?

Ms. **Dennis**. The entire study.

[Summary of the study follows:]

- CHOICES FOR PENNSYLVANIANS -

CHALLENGES AND OPPORTUNITIES IN ECONOMIC DEVELOPMENT AND COMMUNITY CONSERVATION FOR THE 1980'S

TECHNICAL REPORT OF THE
PENNSYLVANIA STATE PLANNING BOARD

> *"If we could first know where we are,*
> *and whither we are tending,*
> *we could better judge what to do,*
> *and how to do it."*
>
> *Abraham Lincoln*
> *1858*

Commonwealth of Pennsylvania
Dick Thornburgh, Governor

Harrisburg, Pennsylvania
December, 1980

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CHOICES FOR PENNSYLVANIANS

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The State Planning Board is indebted to the member agencies of the Board who have contributed to the development of this report. In addition to assistance by these state agencies -- the Departments of Agriculture, Commerce, Community Affairs, Environmental Resources, and Transportation -- ideas and information were provided by the Departments of Aging, Banking, Budget and Administration, General Services, Health, Insurance, Labor and Industry, Public Welfare, and Revenue. Helpful comments were provided by the Regional Planning Agencies of Pennsylvania; and by other groups and individuals concerned with economic development and community conservation in the Commonwealth, including valuable input from representatives of the Pennsylvania Intergovernmental Council, the Pennsylvania Council for Urban Economic Development, the Governor's Small Business Council, the Governor's Energy Council, and from the legislative research staffs of the General Assembly.

The efforts of the many others who unselfishly contributed their time and expertise during the various phases of the planning process are also gratefully acknowledged.

CHOICES FOR PENNSYLVANIANS

SUMMARY

Recession, inflation and the rising cost of petroleum products have combined with the familiar problems of the lack of jobs and the economic decline of our communities to make the future of Pennsylvania a matter of serious concern. While national attention has been riveted on economic and oil related issues, Pennsylvania's problems of finding new jobs and revitalizing its communities have not faded. They have continued and in some cases, as with the fiscal problems of our communities, are worsened by inflation and recession.

We have learned from the experiences of the last three decades that economic decline and community decline go hand in hand. We have also discovered that these problems are basic, pervasive, and complex. They are a drag on our progress and they drain us of our confidence.

The future economic well-being of this Commonwealth and its communities is a special concern of Governor Dick Thornburgh and a major emphasis of his Administration. In order that the Administration's effort to create more jobs and economic security for Pennsylvanians would be maintained and expanded, and to develop, nurture, and ensure the fragile commodity of community, the Governor initiated, in 1979, the Choices for Pennsylvanians program.

The Governor directed the Pennsylvania State Planning Board to carefully review economic and community conditions in Pennsylvania, and to establish a set of policy objectives, policies, and action alternatives that could guide public and private economic development and community conservation efforts in the future. In short, Choices for Pennsylvanians represents a policy decision framework for the future.

Choices is a unique process in many ways. It is an approach that has rarely been tried in other states and never in Pennsylvania. It takes the opportunity, as we begin a new decade, to inventory our assets and resources, examine what has happened in the past, and suggest objectives, policies, and action alternatives that can maximize our opportunities while overcoming our problems. This report is neither comprehensive, nor does it have all the answers. What it attempts to do is establish a basis for improved decision-making by both the public and private sectors.

Before this report will be transmitted to the Governor and the Legislature, Pennsylvania citizens will have the opportunity for first-hand review of the findings, and to voice their opinions, through a statewide series of citizen meetings, concerning the policy objectives, policies and action alternatives presented in Choices. These policy objectives, policies, and action alternatives do not represent a body of recommendations or a recommended course of action. They should be viewed as a set of potential measures that could be implemented to achieve a future condition in Pennsylvania which the citizens will help to select. An expression by the citizens of the degree of emphasis to be placed on the economic and community conservation policies and actions would help determine the level of effort by both the public and private sectors in Pennsylvania over the course of the next several years.

PROBLEMS AND OPPORTUNITIES

In Pennsylvania the lack of sufficient jobs for all Pennsylvanians is one of the most severe problems facing us today. In the last ten years, the Commonwealth has lost 190,300 manufacturing jobs. As of July, 1980, there were 510,000 Pennsylvanians out of work, which is more than double the 218,000 Pennsylvania workers who were unemployed in 1970. Our unemployment rate for July, 1980 (9.5 percent) was 22 percent higher than the national average (7.8 percent). Between 1970 and 1980, an estimated 435,600 Pennsylvanians moved to other states, many because there were no jobs for them in our Commonwealth.

Hardest hit have been the cities and towns that once relied on factory and service workers for support of their economic base. Fewer people with fewer dollars has meant less business for the retail establishments and less municipal revenue for the communities of Pennsylvania.

The fact that 510,000 unemployed Pennsylvanians are being denied the opportunity to use their skills is costing over $5 billion annually in lost wages and salaries that would otherwise be contributing to business activity and municipal tax revenues in the Commonwealth.

The situation in which we find ourselves is a mixed picture. It is certainly not all bad. For example, even though Pennsylvania trails the nation in most measures of economic growth, our citizens generally enjoy a high quality of life, and we are still one of the most prosperous states in terms of our level of development and standard of living.

Economic and community changes in Pennsylvania over the last three decades have cut like a two-edged blade. Pennsylvania has been able to capitalize on national programs and trends because it possesses vast natural and human resources. For example, federal initiatives such as highway construction, mortgage insurance, and slum clearance progressed in Pennsylvania. But these programs were almost guaranteed to have mixed good and bad results, because they usually attacked the symptoms of problems rather than causes. So, while the federal government was promoting single family homes in the suburbs, it was laying the groundwork for such contemporary problems as sprawl and high energy consumption, while contributing to the human problems of the economically disadvantaged.

Fortunately, Pennsylvania still possesses many natural and human resources necessary to breathe new life into our economy and communities, including:

- Our ideal location with respect to markets.
- Our businesses face new potentials for penetrating domestic markets for a wide range of products as well as large, untapped markets overseas.
- Our labor force is one of the most highly skilled in the nation, with a strong work tradition and close ties of people to family and community.
- Our communities are diverse and possess a significant investment in community infrastructure, such as roads and water and sewer facilities.
- The Commonwealth has vast coal reserves and other valuable natural resources, such as hardwood forests.
- Augmenting our natural resources is a vast pool of capital stock, and a diversified and well developed transportation system.
- Pennsylvania possesses a well-developed network of financial institutions, many high technology businesses and industries, an excellent system of colleges and universities, and abundant amenity resources such as cultural and recreation facilities, including a state park within 25 miles of every major urban area.

BUILDING A FRAMEWORK FOR THE FUTURE

One of the greatest failings of the past has been the inability to establish a policy framework to guide the implementation of economic and community development programs that would capitalize on Pennsylvania's physical, natural, and human resources. This report is based on the premise that private initiatives must play the dominant role in new job creation and community economic revitalization. There has never been sufficient effort to establish common objectives to drive public and private economic and community development decisions and programs. Such an effort must precede program implementation in order to avoid the counterproductive impacts of good intentions that we have known in the past.

The analysis of Pennsylvania's economic and community problems suggests seven policy objectives that should receive priority consideration in the formulation of economic development and community conservation policies for Pennsylvania. These objectives are:

1.0 To permanently strengthen Pennsylvania's economic base through innovation and modernization.

2.0 To promote the birth and expansion of innovative small businesses.

3.0 To make Pennsylvania a better place to do business.

4.0 To more effectively match people with jobs.

5.0 To revitalize Pennsylvania's urban and rural centers.

6.0 To strengthen intergovernmental partnerships for planning and implementing sound development strategies.

7.0 To utilize natural resources in a manner which conserves energy and protects the environment.

ALTERNATIVE FUTURES

These policy objectives are important for guiding decisions that will affect the future of our economy, our communities, and our resources. However, unless they provide the basis for formulation of policies and for undertaking action, our long-term economic future will not be much different than it is today.

A projection of current trends and policies has revealed that Pennsylvania could expect continued slow economic growth during the 1980's decade, lagging behind the nation in most measures of economic activity. We call this projection of existing conditions a baseline scenario since it assumes that no major new public or private policy emphasis or initiatives would be forthcoming to address the key factors influencing the state's development. These key factors include shifting foreign and domestic markets for Pennsylvania products, the cost of doing business in Pennsylvania, investment and productivity, energy consumption, and the condition of community facilities and services. These factors have emerged as the critical issues in Pennsylvania's future which policies and action alternatives to improve our economy and communities must address.

Without strong new public and private initiatives to address these factors, what has occurred in the past will continue to occur in the next ten years. A large number of Pennsylvanians would continue to leave the state each year. Unemployment rates would continue to be higher than the national average. Job growth would not provide sufficient means of livelihood for all our citizens. Because of improvements in national business conditions, however, our economy by the end of the 1980's decade would show a lower unemployment rate than at the beginning of the decade. More Pennsylvanians would be employed although manufacturing employment would continue to decline, requiring assistance to displaced workers. Over 500 Pennsylvania communities are now classified as economically distressed by the federal Department of Housing and Urban Development, and the list would be expected to grow. In summary, although by some measures Pennsylvania would be better off economically at the end of the 1980's than when we entered the decade, we would still have these major problems:

- Declining shares of national product and wealth.
- Lagging growth in total personal income and earnings.
- Continued loss of manufacturing jobs.
- Slow Pennsylvania growth in national rapid growth industries.
- Continued large numbers of workers in recession prone industries.
- Continued high net outmigration and slow population growth.

- Unemployment at rates higher than national averages.
- Rising public service costs and shrinking tax bases.
- Deteriorating housing in urban and rural centers, and growing needs for housing.
- Changing population settlement patterns, which may increase infrastructure costs and compound problems of distress in established urban and rural centers.
- Energy problems.
- Resource use problems.

Any reduction in the current level of emphasis on economic and community development efforts could result in a future in which Pennsylvania would continue to fall further behind the nation in the level of economic activity throughout the 1980's.

In contrast, by significantly increasing the emphasis on policies and measures affecting economic development, a scenario can be constructed that would accelerate economic growth. Under this formulation, efforts would be focused primarily on economic growth problems. A lesser emphasis would be placed on resolving our community, energy, or resource problems. Substantial efforts would be made by Pennsylvania businesses to upgrade product lines and to aggressively market Pennsylvania-made products at home and abroad. Government, business and labor would work to minimize business costs, encourage new capital investment and improve productivity. Substantial new investment for plant and equipment modernization, especially in national growth industries, would be coupled with product innovation and improvements to production processes.

In this scenario, only moderate efforts at energy conservation would be undertaken, primarily induced by federal policies deregulating oil prices and reducing national reliance on imported oil. Throughout the Commonwealth, natural resources, including coal, would be fully utilized to support economic growth. Emphasis would be placed on increasing energy production rather than on energy conservation. Public expenditures would be directed primarily toward addressing economic development concerns over community development or energy resource concerns. Existing efforts to revitalize distressed communities and conserve energy resources would continue, but most attention would be on accelerating economic growth statewide, without regard to areas in which it would occur.

On the other hand, by placing relatively equal emphasis on resolving economic, community and energy resource use problems, an alternative growth scenario can be constructed that would strive to simultaneously expand job opportunities and income for Pennsylvanians, use energy wisely, and continue to maintain high standards for resource management.

In some important aspects, this scenario resembles the more accelerated growth scenario. Pennsylvania business would work to upgrade product lines and aggressively market their products to new markets at home and abroad. Government, business and labor would help to minimize business costs, encourage new capital investment, and improve productivity. Substantial new investment for plant and equipment modernization would be coupled with innovative improvements to products and production processes, especially in Pennsylvania's national growth industries. However, this scenario would differ from the accelerated growth scenario in that greater growth would occur in small businesses. Also, the highest levels of new investment would occur in the most energy-efficient of the national growth industries.

Energy conservation efforts under this scenario would be much more prominent and future energy needs would be met by a combination of increased energy conservation and increased coal production, along with a strong emphasis on developing energy alternatives to oil. Pennsylvania's current high standards for resource protection would be maintained.

CHOICES -- POLICY OPTIONS AND ACTIONS

What should be the future of Pennsylvania? This is the question that has been posed for us. Are we satisfied with the baseline scenario and its consequences for 1990 and beyond? Or would we prefer an accelerated economic growth and its attendant impacts, or one of the other alternative futures considered. Through the examination of the alternative scenarios we have a brief glimpse of the future. The citizens of the Commonwealth need to express their preference for one of the scenarios presented in Choices, or form some variation of one of those futures. They will also be given the opportunity to examine and voice their opinions concerning the policy objectives, policies and action measures that could be implemented, and, most importantly, the kinds of emphasis to be given to them in order for the preferred future to be achieved. The emphasis given to the policy objectives, policies, and action alternatives in terms of their priority, selection, and consequential implementation will affect the level and type of economic activity, community development, and resource use in Pennsylvania throughout the remainder of this decade and beyond.

The Choices policy objectives suggested for citizen consideration, while representing a necessary and long overdue step in gaining an understanding of our future, are in themselves relatively neutral. The impact of these policy objectives will be felt only when specific policies and actions are developed and implemented to achieve them. If many policies and actions are economic growth oriented, and do not address community and resource use objectives, then we can expect a future that is tilted heavily toward economic development with little consideration for where that development occurs and what resoruces are consumed in the process.

The policies and actions represent critical components in shaping our future, with the policy objectives acting as targets which we can aim for. The kind of future Pennsylvanians prefer, whether it be baseline, accelerated growth, restrained, or something in between, will determine the emphasis to be given to the policies and actions.

By way of illustration, let's look at the first policy objective, the first policy, and a summary set of action alternatives presented in the report.

POLICY OBJECTIVE 1.0

To permanently strengthen Pennsylvania's economic base through innovation and modernization.

1.1 Encourage and support expansion and modernization of existing firms and industries to produce a sure and steady supply of new jobs for the future and to maximize our comparative advantages.

Substantial recovery from structural economic problems and long-term growth instability will require careful redirection of efforts to encourage increased investment and technological advancement in existing Pennsylvania firms whose growth prospects for the future are good.

Action Alternatives (Summary)

o Provide specialized technical assistance to facilitate continued operation of sound companies threatened with closing.

o Develop a capability for identifying long-term growth opportunities in specific economic sectors such as those businesses that are expanding nationally.

- Encourage the federal government to assist the state to create an economic stabilization and anti-recession fund.
- Establish industrial development policies to focus business, labor and government cooperation on strengthening Pennsylvania industries, particularly growth industries.
- Institute at the state level a program to regularly contact and assist Pennsylvania firms in meeting growth needs.
- Ease restrictions on branch banking in Pennsylvania, including foreign banks.

The Choices for Pennsylvanians report includes seven policy objectives, fourty-six policies, and 200 action alternatives. Many of the policies and action alternatives are complex, and will require detailed consideration in terms of their impacts and consequences. In the final analysis, the Governor and the General Assembly will make the decisions as to the policy objectives, policies, and actions to be pursued by the Commonwealth. Therefore, it is critical that citizens and citizen groups voice their opinions concerning Pennsylvania's future, the policy objectives we need to establish, and the policies and actions that are necessary to achieve them.

In reviewing the action alternatives and policies contained in the report in relation to the preferred alternative scenario, citizens are encouraged to critically examine the policies and actions in terms of the following:

- Is it a significant policy or action that will make a real difference in dealing with Pennsylvania's problems and needs?
- Does it deal effectively with problems in the community or area where you live or work?
- Would the policy or action be effective in meeting other problems and needs of the state's people and what other cross-impacts would it have?
- How important is the policy or action in relation to the alternative future for Pennsylvania which you prefer?
- If it is a policy or action that costs more money, would the benefits be worth the added cost?

- o In selecting priorities, is the problem sufficiently urgent to justify immediate implementation of the policy or action, or can it be implemented in later years?
- o Are there better alternatives to meeting the problem or need and what are they?

If Pennsylvania is to successfully deal with the problems of economic growth, growth distribution and natural resource conservation, and if it is to fully capitalize on the many assets and opportunities available throughout the state, then a renewed spirit of public and private sector cooperation and partnership is necessary. State and local government cannot, and should not, presume to be the central actors in Pennsylvania's development process. Strong cooperation among business, labor, the federal government, and the state and local governments is essential if we are to achieve a brighter future for our economy and communities in the decade of the 1980's and beyond.

Senator MATTINGLY. Fine.

Mr. Wilson, if you could summarize, it would help us.

STATEMENT OF HAROLD O. WILSON, EXECUTIVE DIRECTOR, HOUSING ASSISTANCE COUNCIL, INC., WASHINGTON, D.C.

Mr. WILSON. You have our full statement, Mr. Chairman. I would be glad to summarize my comments for you and I request that you place our prepared statement in the record.

I am Hal Wilson, the Executive Director of the Housing Assistance Council, and I would like to indicate how pleased we are to be invited to testify before these rural housing hearings again. Before I begin, Mr. Chairman, I would like to congratulate you for taking the chairmanship of this committee. We appreciate that greatly and we look forward to working with you during the current session as you work with this body.

Senator MATTINGLY. Thank you.

TRENDS HAVE CHANGED IN 10 YEARS

Mr. WILSON. There's been a lot of comments about different trends that have taken place in rural communities over the past 10 years. We have heard people talk about shifts in population. We've heard people talk about changes in job opportunities and so forth in rural communities.

At the Housing Assistance Council we therefore thought that, with the 1980 census data almost ready and with some information now available, we might look at that data to see if there are in fact emerging trends in rural communities that would bear on rural housing policy for the next 10 years. We discovered, with this fairly cursory initial look, some fairly interesting trends that are now emerging.

In the first instance, over the last 10 years, there have been some significant strides in the alleviation of substandard housing conditions suffered by rural families. This has been the result, no doubt, of the housing programs of the Farmers Home Administration. In fact, there's been a decrease in rural occupied substandard housing by about 42 percent from around 2.9 million units to 1.7 million units.

This has primarily been a decrease in the occupied units that have incomplete plumbing. The data indicate, however, that overcrowding in rural communities has increased. Approximately 60,000 more units in rural communities are overcrowded now than were in 1970.

So, even though there have been some strides, other trends appear to be established that are rather disturbing and I think they will bear significantly on the cost of providing housing assistance and on the manner in which housing assistance is going to be made available.

The first is that substandard housing is holding constant for the rural poverty population. The poor are still inhabiting the substandard units in rural communities. In 1980, 61 percent of the nonmetropolitan households in units lacking plumbing were occupied by poverty level households. In 1970, only 34 percent of the units lacking plumbing were occupied by households in poverty. Over 800,000 rural substandard housing units are occupied by households with poverty level incomes. The fact that 45 percent of rural substandard housing occupants have incomes below $6,000, substantiates a need, we believe, for increased and targeted subsidies to those populations.

The fact is, Mr. Chairman, that families who occupy substandard housing above the poverty level have been assisted over the past 10 years. Families living in substandard housing who are below the poverty level, in essence, have not been helped as much. In fact, we feel that group may well be growing, instead of diminishing.

The second trend that we have seen is that substandard housing exists disproportionately in rural areas. A fourth of the total population in rural areas have over half of the units lacking plumbing, and a third of those considered substandard.

Yet, rural areas in 1980 received only 70 percent of the Federal per capita tax expenditures for housing as devoted for urban areas.

Third, the number of poverty level households in nonmetropolitan areas is growing and this may well be one of the most significant points that we've seen. In 1981, there were 4.6 million rural poor, half again as many as existed in 1970, an influx characterized by the elderly and children. It would appear that young adults are still more likely to be moving out of rural communities; we continue to export productive young people to urban areas. The poor are made up primarily of elderly and women with children who are moving into rural communities from urban areas.

The fourth trend we have seen, still not counted in the statistics I mentioned to you—are those units that are deteriorating or lack a suitable heating system. Inclusion of these units in the census data would swell the numbers of substandard units in rural communities. There are four times as many units in rural communities that are uncomfortably cold in the winter as there are in urban areas.

NARROWING OF POPULATION

In short, we are observing a narrowing of that population in inadequate housing to those least equipped to improve the quality of their shelter without some form of significant assistance. The hard-core poverty population in inadequate shelter is presumably resistant to upturns in the economy and will require direct public assistance to overcome the unsafe, unsanitary, and debilitating living conditions which it is now enduring.

We believe that a responsive rehabilitation program is one response to this persistent problem. We do not feel that a block grant program is an adequate response. We feel that the Farmers Home Administration has not adequately responded to the rehabilitation issue in a creative manner, and that there is a need for reform in their program.

As Mrs. Macklin has already indicated, during the past few months the National Rural Housing Coalition has developed a rural housing preservation grant program. We feel this proposed program has merit. It's a categorical grant to nonprofit organizations and units of local government that will enable the Farmers Home Administration to operate a larger volume and flexible repair and rehabilitation program aimed at very low-income occupants of substandard housing. We would like to offer our support and endorsement of that program.

As I mentioned earlier, we have strong concerns with the rural housing block grant program currently being proposed in the administration budget. It would reduce funding for Farmers Home Administration programs far below that which is needed to address the needs of the poor. We agree with you that this program should be looked at very, very carefully before there is any consideration of writing it into legislation.

1980 CENSUS

In summary, Mr. Chairman, our preliminary look at the 1980 census indicates we are no longer dealing with an upwardly mobile poor caught for a moment in substandard housing, but rather a static group of poor families who appear destined to remain in bad housing absent concerted effort to address their problem. The data indicates that households above poverty occupying units lacking plumbing in 1970 have, in fact, improved their housing situation over the last 10 years. It is the poor who have been left behind.

To address this situation, I'd like to again stress that rehabilitation is one very important method. The Farmers Home Administration should be encouraged—indeed I suggest they should be forced, to use all of their grant and loan money under the section 504 program, which primarily goes to rehabilitation, and, their other programs should be adequately funded to achieve a balanced program of new construction as well.

In addition, the rural preservation program should be enacted, as suggested by the National Rural Housing Coalition, and adequately funded.

Finally, in order to really reach the poor, the rental assistance program of the Farmers Home Administration should also be adequately funded and its use encouraged with rehabilitation along with the section 515 program. In this way perhaps the snare that has entrapped the rural poor might be sprung open a little bit in order that life's opportunities for a richer and more productive life might be made available to them over this next 10 years.

Thank you very much, Mr. Chairman.

[Complete statement follows:]

TESTIMONY OF
HAROLD O. WILSON
FOR THE
HOUSING ASSISTANCE COUNCIL

I AM HAROLD O. WILSON, EXECUTIVE DIRECTOR OF THE HOUSING ASSISTANCE COUNCIL (HAC). I THANK YOU FOR THIS OPPORTUNITY TO TESTIFY CONCERNING RURAL HOUSING CONDITIONS, AND PARTICULARLY THOSE CONDITIONS INDICATING A NEED FOR THE RURAL HOUSING PRESERVATION ACT BEING DISCUSSED TODAY. IN ORDER TO IDENTIFY THOSE TRENDS OVER THE LAST DECADE WHICH SHOULD FORM A RATIONAL BASIS FOR RURAL HOUSING PRIORITIES, THE HAC STAFF HAS BEEN TAKING A CLOSE LOOK AT THE 1980 CENSUS AND OTHER NEWLY AVAILABLE DATA, AND WE HAVE REACHED SOME DISTURBING CONCLUSIONS.

CONTRARY TO THE OFTEN HEARD VIEW THAT SUBSTANDARD HOUSING HAS BEEN ELIMINATED IN THIS COUNTRY, OUR DATA SHOW THAT IT NOT ONLY EXISTS TO A SIGNIFICANT EXTENT, IT EXISTS DISPROPORTIONATELY IN RURAL AREAS, AND IT IS HOLDING CONSTANT FOR THE RURAL POPULATION IN POVERTY. AS WE HAD HOPED AND EXPECTED, THERE HAS BEEN SINCE 1970 A GRATIFYING DECLINE (OF 58.4%) IN THE NUMBER OF RURAL UNITS LACKING PLUMBING. WHEN OVERCROWDED UNITS ARE INCLUDED AS A CRITERION OF SUBSTANDARD QUALITY, WE FIND THAT RURAL SUBSTANDARD HOUSING HAS DECLINED BY 42%, FROM ABOUT 2.9 MILLION OCCUPIED UNITS IN 1970 TO 1.7 MILLION IN 1980. THIS IS GOOD NEWS INDEED.

HOWEVER, THERE ARE SEVERAL AREAS WHERE PROGRESS IS EITHER NOT AS GREAT OR HAS NOT OCCURRED AT ALL, AND THEY ARE

THOSE AREAS WHICH HAVE ALWAYS COMMANDED OUR GREATEST CONCERN. THE DISPARITY BETWEEN THE HOUSING QUALITY OF RURAL AND URBAN AREAS IS STILL SIGNIFICANT, AND THE INEQUITY IN THE FEDERAL RESPONSE IS STILL UNACCEPTABLE. WITH ONLY A FOURTH OF THE TOTAL POPULATION, RURAL AREAS HAVE OVER HALF THE UNITS LACKING PLUMBING AND A THIRD OF THOSE CONSIDERED SUBSTANDARD. NEVERTHELESS, RURAL AREAS IN 1980 RECEIVED ONLY 70% OF THE FEDERAL PER CAPITA TAX EXPENDITURES FOR HOUSING DEVOTED TO URBAN AREAS.

MORE IMPORTANT, RURAL RESIDENTS WITH A CRITICAL "HOUSING BURDEN," THAT IS, WHO ARE POOR IN SUBSTANDARD HOUSING, HAVE APPARENTLY NOT DECLINED IN NUMBER, AND MAY BE ON THE INCREASE. IN CONTRAST WITH RESIDENCY PATTERNS IN 1980, MOST OF THE NONMETRO UNITS LACKING PLUMBING IN 1980 ARE OCCUPIED BY POVERTY-LEVEL HOUSEHOLDS. TO BE SPECIFIC, 61% OF THE NONMETRO HOUSEHOLDS IN UNITS LACKING PLUMBING IN 1980 HAD AN ANNUAL INCOME OF $7000 OR BELOW. SINCE THE POVERTY LEVEL FOR 1980 WAS ACTUALLY $8140, WE MAY ASSUME THAT THIS PERCENTAGE IS A VERY CONSERVATIVE REFLECTION OF THE ACTUAL PROPORTION OF SUBSTANDARD UNITS OCCUPIED BY POVERTY-LEVEL HOUSEHOLDS. FROM ANNUAL HOUSING SURVEY DATA, WE ESTIMATE THAT IN BOTH 1970 AND 1980 NEARLY 800,000 POVERTY-LEVEL HOUSEHOLDS LIVED IN SUBSTANDARD UNITS; THE GLARING DIFFERENCE LIES IN THE FACT THAT IN 1970 ONLY 34% OF THE UNITS LACKING PLUMBING WERE OCCUPIED BY HOUSEHOLDS IN

POVERTY. THUS, IT APPEARS THAT THOSE HOUSEHOLDS ABOVE POVERTY LEVEL AND OCCUPYING UNITS LACKING PLUMBING IN 1970 HAVE IMPROVED THEIR HOUSING SITUATION; BUT THE DECLINE IN SUBSTANDARD HOUSING HAS LEFT STATISTICALLY UNTOUCHED THOSE UNITS OCCUPIED BY HOUSEHOLDS AT THE POVERTY LEVEL.

OMINOUSLY, THE NUMBER OF NONMETRO POVERTY LEVEL HOUSEHOLDS IS GROWING; IN 1981, THERE WERE 4.6 MILLION, HALF AGAIN AS MANY AS EXISTED IN 1970. WHILE MOST OF THIS GROWTH IS GENERATED WITHIN THE INDIGENOUS NONMETRO POPULATION, SOME OF IT IS DUE TO THE INMIGRATION OF THE URBAN POOR. ACCORDING TO THE CURRENT POPULATION SURVEY, BETWEEN 1975 AND 1979 ABOUT 269,000 MORE POVERTY LEVEL PERSONS MOVED INTO THAN OUT OF NONMETRO AREAS, CREATING ADDITIONAL PRESSURE ON THE ALREADY LIMITED RURAL HOUSING STOCK. THE INFLUX IS CHARACTERIZED BY BOTH OLD AGE AND CHILDHOOD; YOUNG ADULTS, ON THE OTHER HAND, ARE SLIGHTLY MORE LIKELY TO HAVE MOVED TO THE CITY DURING THIS PERIOD. THE MIGRATION TO NONMETRO AREAS OF THE ELDERLY AND FAMILIES WITH YOUNG CHILDREN AND LIMITED RESOURCES MAY BE PARTIALLY RESPONSIBLE FOR THE FACT THAT, OF THE POVERTY-LEVEL HOUSEHOLDS IN SUBSTANDARD UNITS, MOST ARE RENTERS. IT MAY ALSO CONTRIBUTE TO THE DISPROPORTIONATE NUMBER AMONG THE RURAL POOR OF THE ELDERLY AND OF WOMEN WHO ARE RAISING CHILDREN WITHOUT A FATHER PRESENT.

In view of the parallel constrictions of the substandard housing stock to those occupied by poverty-level households and of the poverty-level population to those outside the labor force (i.e., the elderly, mothers and children), HAC concludes that we are observing a narrowing of the population in inadequate housing to those least equipped to improve the quality of their shelter without significant assistance. This hard-core population in poverty and inadequate shelter is presumably resistent to upturns in the economy, and will require direct public assistance if it is to overcome the unsafe, unsanitary, and debilitating living conditions which it is now enduring.

The attached charts provide supportive data for these conclusions, but should not be taken as offering a comprehensive assessment of the rural housing crisis. For example, not included in these charts or in any Census data now available are those households living in units which are just deteriorating or lack a suitable heating system. Their numbers would not only dramatically swell our projections of units in need of rehab, but would also probably absorb the bulk of the nonmetro population in poverty. We do know, from the 1979 Annual Housing Survey, that the incidence of "uncomfortably cold" houses is four times as high in rural areas as in urban areas; that for homeowners, twice as many rural as urban rooms lack heating equipment; and that one

SIXTH OF RURAL FARM OWNER-OCCUPANTS ALTOGTHER LACK HEATING EQUIPMENT. HERE AGAIN, ASSUMING THAT A DISPROPORTIONATE SHARE OF POORLY HEATED HOUSING IS INHABITED BY THE RURAL ELDERLY AND SINGLE MOTHERS WITH YOUNG CHILDREN, A GRIM PICTURE EMERGES: IT IS DIFFICULT TO DO HOMEWORK WHEN YOU ARE COLD, OR TO ENJOY A COMFORTABLE OLD AGE.

THE PERSISTENCE OF THE MOST CHALLENGING SUBSTANDARD HOUSING CONDITIONS IN RURAL AREAS HAS COMPELLED US TO PROPOSE MORE DRASTIC MEASURES FOR ASSISTANCE THAN ARE NOW PROVIDED IN FEDERAL PROGRAMS. IN 1982 THE SENATE SUBCOMMITTEE ON HOUSING AND URBAN AFFAIRS DEVELOPED A REHABILITATION-ORIENTED RURAL HOUSING BLOCK GRANT BILL. WHILE HAC WAS NOT SUPPORTIVE OF THAT CONCEPT, WE AGREED THAT FmHA PROGRAMS HAD NOT BEEN EFFECTIVELY USED TO PRESERVE EXISTING HOUSING STOCK. WE CONTINUE TO BELIEVE THAT THE FmHA HOUSING PROGRAMS AND DELIVERY SYSTEM MUST BE MAINTAINED, BUT COULD BENEFIT FROM REFORM IN THE AREA OF REHABILITATION EFFORTS.

DURING THE PAST SIX MONTHS, THE LOW INCOME RURAL HOUSING MOVEMENT, REPRESENTED BY THE NATIONAL RURAL HOUSING COALITION DEVELOPED SUPPLEMENTAL REHABILITATION LEGISLATION FOR FmHA, I.E. THE RURAL HOUSING PRESERVATION GRANT PROGRAM. THERE ARE SEVERAL IMPORTANT ASPECTS TO THE PROPOSED PROGRAM:

1. In recognition of FmHA staff limitations and inability to add a large-scale rehabilitation effort to existing program responsibilities, it provides individual project approval authority to nonprofit organizations and units of local government;

2. The proposed program is categorical to the extent that prioritites are established and safeguards for tenants, etc. included. Beyond these categorical requirements the program provides considerable flexibility for adaptation to local needs.

3. Grants to local administering organizations, or governments would be competitive and approved by FmHA, which also has a certification and monitoring role.

This approach utilizes the experience and ability of FmHA, while extending performance beyond the agency's capacity. The Rural Housing Preservation Grant program should not displace the small Section 504 program, which is needed for areas not covered by the new program. Instead, Congress should direct FmHA to increase emphasis on Section 504 use.

HAC's support for FmHA is not unqualified. We are always the critic and seek to improve FmHA's authorities and performance. We do not advocate conversion of FmHA housing programs totally for rehabilitation, but rather urge development of their ability to use the rural programs as needed and appropriate in any particular community. Accordingly we support the National Rural Housing Coalition's amendments to Title V which seeks to make greater use of agency resources for housing repair and rehabilitation.

HAC believes the 1980 Census data points clearly to the fact that the overriding rural housing need is rehabilitation or replacement of substandard housing stock now occupied by very low-income households. In a great many instances existing stock in poor condition or in some state of disrepair can be improved and preserved, and at a lower cost than that for replacement. To this end Congress must both amend the law and explicitly encourage FmHA to increase use of and emphasis on its resources to repair and rehabilitate rural housing. We again urge a flexible approach with amended authority, meaningful funding levels and Congressional oversight and review.

A major FmHA authority for helping very low-income people is the Rural Rental Assistance Program. Replacement rental housing or rental housing rehabilitated under the

Rural Preservation Program will probably require some additional subsidy in order to be afforded by the very poor. The Rental Assistance Program was reduced from $398 million to $123.745 million in FY 1983. The previous year almost all Rental Assistance was used to assist burdened tenants in existing FmHA projects, and only 2.5% of all Section 515 units served the very poor. If the poverty level occupancy of substandard housing problem is to be solved, rental assistance must be available to low-income tenants. It should be noted that the average cost of Rental Assistance subsidy during FY 1982 was only $1192.44 per unit per year.

In summary, the low-income rural housing problem has not disappeared; it has simply come into relief over the course of a decade of overall improvement in the housing stock. The problem is that people without the resources to make their homes sound, safe, and sanitary are still living in such homes, and it is a problem which will not go away until and unless we can offer a low-income housing subsidy deep enough to accomplish extensive housing rehabilitation. It is our view that the proposed Rural Housing Preservation Grant program will provide a vitally needed resource for the eradication of poor shelter conditions.

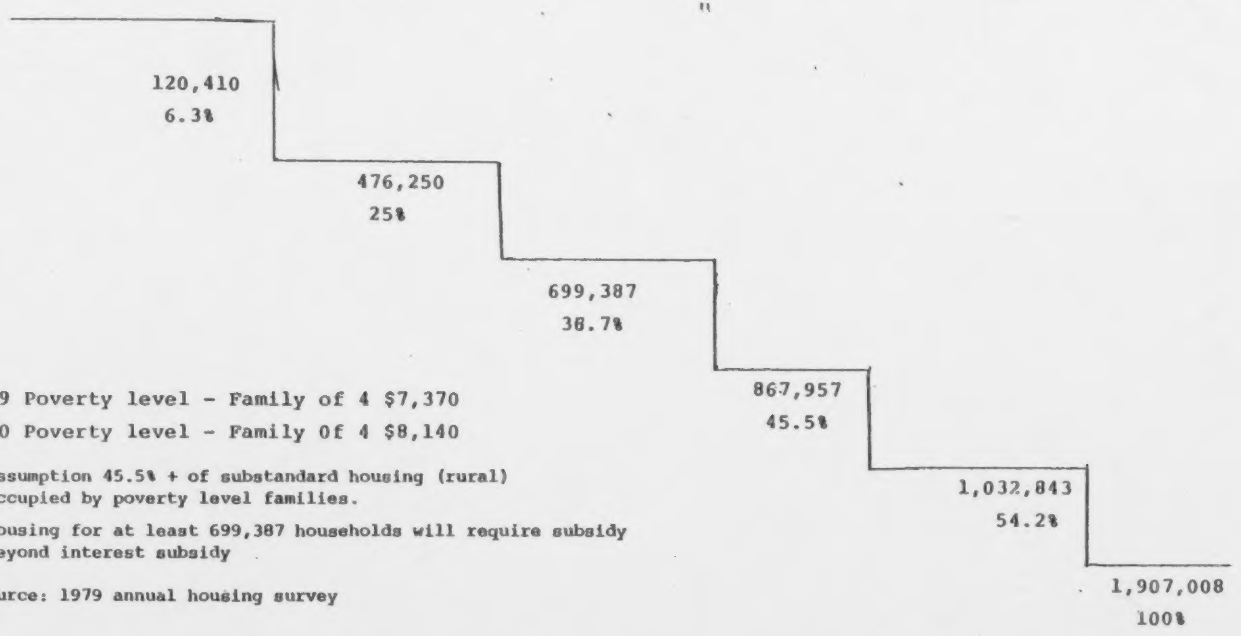
RURAL SUBSTANDARD HOUSING 1970 - 1980

(CENSUS)

	1970	1980	Change	Percent Change
1. Rural lacking compl. plumb.	2,170,509	902,249	-1,268,260	-58.4%
2. 2500-10,000 lacking compl. plumb.	251,040	98,740	- 152,300	-60.7%
3. TOTAL lacking compl. plumb.	2,421,549	1,000,989	-1,420,560	-58.7%
4. Rural/w comp plumb - overcrowded	708,214	768,243	+ 60,029	+ 8.5%
5. 2500-10,000 /w com plumb-overcrowded	160,649	204,724	44,075	+27.4%
6. TOTAL (R) overcrowded	868,863	972,967	+ 104,104	+12.0%
7. Rural Substandard	2,878,723	1,670,492	-1,208,231	-42.0%
8. 2500-10,000 Sub-standard	411,689	303,464	108,225	-26.3%
9. TOTAL (R) Substandard	3,290,412	1,973,956	-1,316,456	-40.0%

1979 SUBSTANDARD RURAL HOUSING OCCUPANTS BY INCOME *

	To $2,000	$2001-$4000	$4001-$6000	$6000-$8000	$8001-$10,000	$10,001 & above
16,973	103,437	103,437	223,137	168,570	164,886	874,165
.89%	5.4%	18.7%	11.7%	8.8%	8.6%	45.8%



1979 Poverty level - Family of 4 $7,370

1980 Poverty level - Family Of 4 $8,140

a- Assumption 45.5% + of substandard housing (rural) Occupied by poverty level families.

b- Housing for at least 699,387 households will require subsidy beyond interest subsidy

* Source: 1979 annual housing survey

TRENDS IN NONMETRO POVERTY AND OCCUPANCY IN SUBSTANDARD HOUSING

	1970	1980
Nonmetro Households in Poverty	2,988,000	4,224,000
Nonmetro Households Lacking plumbing	2,241,000	1,128,000
At Poverty level	773,766 (34%)	694,000 (61%)
Owners	1,194,000	576,000
At poverty level	N/A	302,000 (52%)
Renters	1,047,000	552,000
At poverty level	N/A	392,000 (71%)

Source: 1980 Annual Housing Survey

NONMETRO POVERTY
(Selected Statistics)

NONMETRO	1970	1980	1981
Persons in Poverty	11.873 mil. (19.2%)	11.483 mil. (15.7%) (new definition) 11.251 mil. (15.4%) (old definition)	12.475 mil. (17%)
Black	2.952 mil. (52.7%)	2.406 mil. (40.6%)	
65 and older	2.410 " (20.8%)	1.855 " (20.5%)	
In unrelated subfamilies	N/A	.125 " (57%)	
Unrelated Individuals	2.149 " (49.2%)	2.238 " (30.3%)	
65 and older	1.191 " (60%)	1.116 " (39.4%)	
Black	.265 " (68.5%)	.137 " (75.7%)	
Female	N/A	.100 " (82.7%)	
Families in Poverty	2.499 mil. (15.4%)	8.887 mil. (13.6%)	
Female headed (no husband present)	.588 " (39%)	2.852 " (39%)	
with child under 6 years	.221 " (61%)	.521 " (67.9%)	
Black	.193 " (68%)	.193 " (74.5%)	
Households in Poverty	2.988 " (20.4%)	4.224 " (16.1%)	4.554 mil. (17.1%)
Householder 65 and over	N/A	1.5 " (24%)	
Female Householder, no husband present, children 5 - 18	N/A	.60 " (41.7%)	
Farmers in Poverty	1.676 " (20.3%)	1.194 " (21.2%)	1.260 mil. (23%)
Farmer median income		($14,155)	($13,305)

Mr. Whiteside.

STATEMENT OF WILLIAM WHITESIDE, EXECUTIVE DIRECTOR, NEIGHBORHOOD REINVESTMENT CORPORATION, WASHINGTON, D.C.

Mr. Whiteside. Mr. Chairman, my name is William Whiteside. I'm executive director of the Neighborhood Reinvestment Corporation. I thank you for the opportunity to share our experience with you. I have submitted my statement for the record.

[Complete statement follows:]

Statement of William A. Whiteside, Executive Director, Neighborhood Reinvestment Corporation

Mr. Chairman, it is a pleasure to come before you to describe the experience of the Neighborhood Reinvestment Corporation in developing Neighborhood Housing Services programs in rural areas.

NEIGHBORHOOD REINVESTMENT CORPORATION BACKGROUND

After beginning our work as an office of the Federal Home Loan Bank Board and four years of operation under the Urban Reinvestment Task Force (a task force made up of the Chairman of the Federal Home Loan Bank Board, the Secretary of HUD, a member of the Board of Governors of the Federal Reserve System, the Chairman of the Federal Deposit Insurance Corporation, and the Comptroller of the Currency), the Neighborhood Reinvestment Corporation Act established the Corporation to implement and expand the demonstration activities of the Urban Reinvestment Task Force. These activities included establishing Neighborhood Housing Services (NHS) programs in neighborhoods throughout the United States, monitoring their progress and providing them with grants and technical services. In addition, the Corporation was directed to continue the work of the Task Force in identifying and assisting selected Neighborhood Preservation Projects offering promise as mechanisms for reversing neighborhood decline and improving the quality of neighborhood life, and to bring such successful projects to neighborhoods throughout the United States. The Corporation was directed to continue supporting Neighborhood Housing Services of America, including providing technical assistance and grants to expand its capacity to purchase NHS revolving loan fund loans and to contract with Neighborhood Housing Services of America for services which it can perform more efficiently or effectively than the Corporation.

NEIGHBORHOOD HOUSING SERVICES

Neighborhood Housing Services programs are state-chartered, nonprofit corporations governed by boards of directors representing a partnership of neighborhood residents, local business leaders and local government, with the objective of revitalizing declining neighborhoods. The programs' operating budgets are funded by voluntary contributions, primarily from local businesses. Their revolving loan funds are capitalized by seed grants from the Neighborhood Reinvestment Corporation matched many times over by local governments, foundations and businesses. Each NHS operates in one or more neighborhoods with defined boundaries characterized by a housing stock showing evidence of deterioration and lack of maintenance, an inadequate degree of mortgage and home improvement activities, a substantial degree of homeownership, and an income mix in the neighborhood as low as resources will permit (i.e., the lower the family incomes and/or the higher the repair costs, the greater the resources needed for revolving loan funds and staffing). NHS neighborhoods average 2,500 dwelling units.

Each local NHS board of directors manages the affairs of its corporation. It is responsible for keeping in place the resources necessary to operate the NHS program, including revolving loan fund and operating budgets. The board is responsible for insuring proper financial management, designating target areas, reaching agreements with local government on appropriate code inspection services and public improvements, and designing creative strategies to accomplish particular neighborhood objectives. The NHS staff implements policies of the board of directors, providing neighborhood residents with the following services: financial counseling, referrals to financial institutions for mortgage and home improvement loans, rehabilitation counseling and construction monitoring, and access to the NHS administered revolving loan fund established to meet the needs of unbankable NHS clients and to stimulate improvements which will promote neighborhood confidence. NHS programs coordinate their work with local government housing inspections which are aimed at achieving voluntary compliance with generally accepted health and safety standards.

Each NHS concentrates on improving the quality of life for neighborhood residents. They are not merely lending and rehabilitation programs. NHSs secure public and private resources for capital improvements and improving vacant dwelling units, commercial and multi-family structures, etc. The board of directors continuously evaluates NHS progress toward stabilizing the neighborhoods and may add new program components or expand services to additional areas.

The role of the Neighborhood Reinvestment Corporation in relation to NHSs is to develop the partnerships which form their heart, and to provide training, technical services, and assistance in implementing revitalization mechanisms and strategies.

Neighborhood Housing Services programs are now serving 183 neighborhoods in 133 cities throughout the United States. From the inception of the Urban Reinvestment Task Force, we received inquiries from small towns and rural counties to initiate NHS development. Our approach in responding to inquiries is one of careful assessment of the local situation through site visits and extension discussions with potential members of the partnership. These assessments of rural places would invariably result in a great deal of interest in the Neighborhood Housing Services concept and a strongly expressed willingness to work together across economic, social, racial, institutional and jurisdictional lines to meet a pressing need for revitalization of not only the housing stock, but of the community. Frequently, the housing stock presented challenges broader in scope than NHSs were tackling in cities: manufactured homes needing rehab and financing; new construction needs; homes needing the basics of plumbing, electrical and weatherization updating; elderly individuals needing assistance in locating suitable housing without having to give up their community lifelong friendships; and much more. Unfortunately, in almost every case the resources were lacking, both public and private, which would be necessary for an NHS to be established and carry out its goals.

At the time of Neighborhood Reinvestment's creation, we were encouraged by the House Banking Committee to explore adaptation of the NHS model to a rural setting, and we began actively seeking potential sites for a rural demonstration. A little more than three years ago, we were approached by officials in the States of Wisconsin and New York to consider developing, with their backing and their financial assistance, an adaptation of the NHS model within a rural community. Also, the Federal Home Loan Bank of Boston pressed us to consider establishing an NHS in a rural state in their district and groups in Vermont were expressing the interest. Almost two years ago, the Department of Housing and Urban Development and Neighborhood Reinvestment entered into a cooperative agreement "for a rural NHS demonstration" with the objective of improving the housing delivery system in rural areas. These demonstration funds have been assisting in the Vermont rural NHS effort.

At a more abstract level, NHSs serve as private nonprofit mediating structures working at the lowest organizational level to strengthen a neighborhood's sense of self-confidence through a multi-faceted strategy. This means that the staff and board volunteers may be at any given moment working with dozens of individual housing situations, ranging from improving a large boarded-up abandoned structure that is dragging down an entire block, both psychologically and economically, to assisting a homeowner who is out of work and needs some basic health and safety code compliance work. We see a need for similar mediating structures in rural communities.

We have sought during the past several years to test whether a similar approach was workable in rural areas—building on and coordinating the needs of the community with the private and public institutions currently there, supplementing with the revolving loan fund only when necessary.

We are currently involved in five efforts to develop rural adaptations of the NHS model (Vermont—a state-wide structure focussed initially in Randolph; Mabton, Washington; Richland Center, Wisconsin; Cattaraugus County, New York; and Clackamas County, Oregon). It is still quite early in the life of these rural NHSs. From a great variety of reports, observations and the hundreds of applications we have recieved for assistance, the need for an NHS type partnership in rural areas is apparent.

We have learned that it is entirely possible to organize a broad-based partnership composed of private business leaders, public officials and community residents. In rural areas, these distinctions are not as sharply drawn as in more urban areas—

everyone considers themselves a resident and more than a few serve in a public capacity, as well as operate a business or private leadership in a church or other local organization. In Vermont, a state-wide board has been organized which is representative of the entire state and designed primarily to raise funds for the local operations. In Clackamas County, Oregon and Cattaraugus County, New York, countywide boards have been created.

The NHS model of a private, independent, self-help, voluntary partnership appears to be adaptable within a rural setting.

There is little operating experience to date, but we believe that the use of a revolving loan fund which is flexibly designed to meet the needs of those who for one reason or another cannot draw upon other resources present (financial institutions, credit unions, Farmers Home, state programs, friends and relatives), is crucial to success. The wider range of housing structures (larger older frame homes dating back many decades to a variety of manufactured homes recently built) appear to require a very flexible and sophisticated approach to rehabilitation. We would expect the revolving loan funds to be used to supplement existing resources in a wide variety of ways.

Similarly, the traditional first services offered by a new NHS of counseling and rehabilitation may be broader. During development of the NHS in Cattaraugus County, the local partnership insisted that improvement of commercial structures be tackled just as vigorously as residential rehabilitation. While in urban areas a strategy for tackling commercial strips is frequently developed several years into the life of an NHS, in Cattaraugus County the commercial and housing revitalization efforts are completely intertwined. In Mabton, Washington, it appears as if basic health and safety concerns—homes without adequate plumbing and wiring—will require extensive emphasis on residential rehabilitation. In Clackamas County, Oregon, the program is initiating Owner Built construction of new homes as their first phase of services, rather than the more traditional rehabilitation services.

From these early results, I visualize that rural NHSs will structure their services to meet a range of needs beyond the basics of loan counseling, rehabilitation counseling, and community pride building. Rural NHSs will have to focus on extensive outreach to pockets of homes that are physically isolated, provide construction technical assistance to families that take a selfhelp approach to rehabilitation, provide technical assistance to local elected officials in preparation of grant requests, administration of weatherization and other programs, promote full utilization of state housing resources (a key State of Wisconsin objective) and provide leadership in the construction of new homes for the lowest income families in the community.

Our greatest concern relates to the level of resources that a local partnership requires. While no rural NHS has operated for a full year, we are able to project, based on results to date and over ten years of history with more urban NHSs, that availability of resources will be the central problem for a rural adaptation of NHS. The kinds of resources that are required are shown on page 8. As this shows, a typical NHS can expect about $667,500 in private, local voluntary charitable contributions in a 5½ year period. The $345,000 in state and local government support has been derived largely from CDBG resources. The Neighborhood Reinvestment Corporation support of an estimated $225,000 over a five and one-half year period is primarily derived from our Federal appropriation. The $150,000 in secondary market resources is derived from private contributions and social investments raised nationally by Neighborhood Housing Services of America.

The most promising approach to raising funds for rural NHSs on this scale (and initial experience shows that costs may be higher) has been the Vermont state-wide resources approach. This has involved a state-wide board assuming the private fund raising responsibility, and as private and public resources permit, establishing local NHSs which would be active in a community for several years and then after providing a way to deliver residual services to keep the community up to a good standard of continuing maintenance, move its main thrust of services into additional communities.

We estimate that over a five year time period, about $1.2 million will be required to establish and provide operating and revolving loan monies for a rural NHS. In urban areas, the private sector has provided about 60 percent of these funds—and this private base has been seen as the key to the vitality of local NHS programs. That level of private resources is simply not present in a rural area from charitable donations. More likely, the results are going to be in the 5–15 percent range.

Large amounts of public funds granted on an annual basis makes planning and execution of a multi-faceted strategy subject to abrupt disruptions, as well as changing the basic private, self-sufficient character of the program. Our experience is that an imbalance of funding from a single source produces an imbalance in the partnership, and that when the program is experiencing difficulties, such as redressing a poor choice of staff, or meeting challenging market conditions, or making difficult strategy choices, the imbalance in the partnership can skew the decision making process in a way which is destructive to the continued partnership governance of the program.

At this point, we are moving ahead with these test rural NHSs, but do not have the resources to initiate additional ones. We hope that better funding concepts can be evolved out of further experience. I have enclosed several attachments which further detail Neighborhood Reinvestment's work. I am pleased to now take your questions.

NEIGHBORHOOD HOUSING SERVICES PROTOTYPICAL NHS RESULTS 5½ YEARS [1]

	Private	Local/State government	Federal
Developmental expense			
Local development budget		$45,000	
Neighborhood reinvestment Corporation expense			$100,000
Grant to revolving loan fund			50,000
Total outlay for development	0	$45,000	$150,000
Program support;			
Operating budget ($85,000 per year)	$467,500		
Revolving loan fund	200,000	$300,000	
Neighborhood program support services and training, including NHSA secondary market	150,000		$225,000
Total support of program operations	$817,500	$300,000	$225,000
Reinvestment in NHS neighborhoods			
Loans made through NHS loan funds	$500,000		
Loans made through financial institutions by referral from NHS	$2,500,000		
Loans made by city/state loan funds		$400,000	
New mortgages written in NHS neighborhoods	$4,000,000		
Other rehabilitation financed [2]	$4,000,000		
Capital improvements to NHS neighborhoods		$600,000	
Total reinvestment	$11,000,000	$1,000,000	0
Development plus 5½ years:			
Total	$11,817,500	$1,345,000	$375,000
Percent	87.4	9.9	2.7

[1] Our experience to date shows that an average NHS neighborhood can be turned around in 5½ years.

[2] Work financed by individuals through savings or money borrowed independently from financial institutions.

SUPPLEMENTARY MATERIALS

NEIGHBORHOOD REINVESTMENT ORGANIZED NHS PROGRAMS

Aberdeen, Washington
Albuquerque, New Mexico
Allentown, Pennsylvania
Anchorage, Alaska
*Atlanta, Georgia (2)
Aurora, Illinois
*Baltimore, Maryland (2)
**Barberton, Ohio (2)
Beaumont, Texas
Beloit, Wisconsin
Birmingham, Alabama
Boise, Idaho
*Boston, Massachusetts (2)
*Bridgeport, Connecticut (2)
*Buffalo, New York (6)
Burton, Michigan
Cambridge, Massachusetts
Casper, Wyoming
Cattaraugus County, New York
Charleston, South Carolina
Charleston, West Virginia
Charlotte, North Carolina
Chattanooga, Tennessee
*Chelsea, Massachusetts (2)
Cheyenne, Wyoming
*Chicago, Illinois (6)
*Cincinnati, Ohio (3)
Clackamas County, Oregon
Clearwater, Florida
*Cleveland, Ohio (2)
Colorado Springs, Colorado
*Columbus, Ohio (2)

Cumberland, Maryland
*Dallas, Texas (3)
Davenport, Iowa
Denver, Colorado
*Des Moines, Iowa (2)
Detroit, Michigan
Durham, North Carolina
East Providence, Rhode Island
Elgin, Illinois
**Emeryville, California
**Evansville, Indiana
Ft. Worth, Texas
Gainesville, Florida
Great Falls, Montana
Green Bay, Wisconsin
Hartford, Connecticut
*Indianapolis, Indiana (3)
Inglewood, California
Ithaca, New York
Jackson, Mississippi
Jacksonville, Florida
Jersey City, New Jersey
Kalamazoo, Michigan
Kankakee, Illinois
Kansas City, Kansas
*Kansas City, Missouri (2)
Kenosha, Wisconsin
Knoxville, Tennessee
La Habra, California
Lafayette, Indiana
Lafayette, Louisiana
Lakeland, Florida
Lawrence, Massachusetts
Little Rock, Arkansas
Louisville, Kentucky
Macon, Georgia
Menlo Park, California
Miami, Florida
*Milwaukee, Wisconsin (2)
*Minneapolis, Minnesota (3)
*Nashville, Tennessee (2)
Newark, New Jersey
New Britain, Connecticut
New Haven, Connecticut
New Orleans, Louisiana
New York, New York
  Bronx (2)
  Brooklyn (2)
  Staten Island (1)
  Queens (2)
Niagara Falls, New York
Norwalk, Connecticut
Oakland, California
Oklahoma City, Oklahoma
Omaha, Nebraska
Orlando, Florida
Pasadena, California
Peoria, Illinois
*Philadelphia, Pennsylvania (3)
*Phoenix, Arizona (2)
Pittsburgh, Pennsylvania
Pontiac, Michigan
Providence, Rhode Island
*Pueblo, Colorado (2)
Quincy, Massachusetts
Reading, Pennsylvania
Richland Center, Wisconsin
Richmond, California
Richmond, Virginia
Rochester, New York
Saginaw, Michigan
*St. Louis, Missouri (3)
*St. Paul, Minnesota (3)
St. Petersburg, Florida
*Salt Lake City, Utah (3)
San Antonio, Texas
San Bernardino, California
San Diego, California
Santa Ana, California
Savannah, Georgia
Scranton, Pennsylvania
Shreveport, Louisiana
South Bend, Indiana
*South Portland, Maine (2)
Springfield, Massachusetts
Springfield, Ohio
Stamford, Connecticut
Syracuse, New York
Tacoma, Washington
*Tampa, Florida (2)
*Toledo, Ohio (2)
Trenton, New Jersey
Tucson, Arizona
Tulsa, Oklahoma
Union County, New Jersey
  Linden
  Rahway
  Roselle
Utica, New York
Vallejo, California
*Washington, D.C. (2)
Waterbury, Connecticut
Waterloo, Iowa
West Palm Beach, Florida
Wilmington, North Carolina
Winston-Salem, North Carolina

*Multineighborhood programs.
**Originally organized as neighborhood conservation services programs.

As of February 28, 1983, NHS programs have been organized in 183 neighborhoods in 133 cities.

NEIGHBORHOOD HOUSING SERVICES MODEL

The Neighborhood Housing Services (NHS) program is a comprehensive coordinated reinvestment strategy to produce neighborhood revitalization for the benefit of current residents. This strategy, carried out by a partnership of neighborhood residents, business and financial leaders, and local government officials, systematically improves housing and upgrades neighborhood amenities. The goal of NHS is to exert a long-term stabilizing influence on a neighborhood, reversing decline, and reducing risk for lenders, insurers, and others doing business in the neighborhood.

For this strategy to have the desired long-term results, and for there to be a renewal of confidence, an improved quality of life must be perceived in the neighborhood by the residents and by the larger community. This perception reverses the weak demand factors which contribute to the disinvestment and brings about a strengthened real estate market. Success or "completion" is therefore measured in terms of that perception and the ability of the neighborhood to sustain a stable community standard of maintenance.

To accomplish this goal the program has the following basic components and services:

Private/independent

Funding for the operating budget is provided by participating financial and business organizations. Government funds are contributed to the revolving loan fund and in some cases have been contributed as a portion of the operating funds. Strong efforts are made to ensure that government funding does not damage the private character of the program through disproportionate control of the program.

Nonprofit corporation

NHS programs are incorporated under the 501(c)(3) tax-exempt charitable status. No stock or profit accrues to its members.

Locally controlled

The NHS program is governed by a local board of directors made up of neighborhood residents, at-large community members, private sector representatives, and city government representation or liaison. NHS is not a government controlled program. Neighborhood Reinvestment input is through monitoring and the provision of technical assistance by invitation of the local board of directors.

Designated neighborhood

The NHS operates in a neighborhood with defined boundaries characterized by: (a) a housing stock showing evidence of deterioration and lack of maintenance; (b) an inadequate degree of mortgage and home improvement activities; (c) a substantial degree of homeownership; (d) an income mix in the neighborhood as low as resources will permit (very low family incomes and high repair costs will require raising additional resources for revolving loan funds and staffing); and (e) a neighborhood which, for example, may contain 500–2,000 units. Multiple neighborhoods are encouraged where resources can be raised to adequately serve each neighborhood.

Numerical majority of residents of board

The partnership relationship must be carried out in the board and committee structure. No partner controls, but neighborhood residents constitute a numerical majority of the board. Broad-based community representation may enhance the ability to allow expansion to other neighborhoods. Care should be taken to keep private sector participation substantial enough that a true partnership is in effect. Local government participation is by board membership and/or meaningful committee participation.

Working board

The NHS board manages the affairs of the corporation. It accepts and carries out the ongoing responsibility for keeping in place the resources necessary to operate the NHS program including loan fund and operating budget funding. Other responsibilities include assuring proper financial management, designating target areas, reaching agreements with local government on appropriate code inspection services and public improvements, working with lenders to insure the availability of bankable lending, maintaining a viable partnership including a strong level of organized resident participation, providing effective staffing, and designing creative strategies to accomplish particular neighborhood objectives. The board carries out those responsibilities through a committee structure.

Skilled and committed staff

NHS programs have operated with as few as three staff members; however, where resources have permitted it, programs have achieved greater momentum with a staff of four or more. The staff, under supervision of an executive director, implements activities mandated by the board of directors. The staff provides management support to the board of directors in its fund raising efforts and carries out necessary administrative and community relations functions.

Organized resident support

Organized resident support is provided by resident board members and by other organized neighborhood groups to stimulate strong resident participation in the program and create a positive improvement climate within the neighborhood.

Offices in the Neighborhoods

The NHS program is administered from offices in the designated neighborhoods. Through a cooperative effort, the staff, board, and committees assure that the neighborhood residents receive the following services:

Financial services

Financial counseling is offered with regard to a client's financial alternatives with referrals to financial institutions or other NHS loan resources as appropriate.

Bankable lending

Financial institutions cooperate to provide mortage and home improvement loans based upon sound underwriting criteria.

Revolving loan fund

NHS administers a loan fund to meet the needs of nonbankable NHS clients and to stimulate improvements which will promote neighborhood confidence. Loans are made at rates and terms which fit the borrower's ability to pay, with the loan secured by the property, usually a second deed of trust or mortgage. NHS counsels clients to solve payment difficulties. The loan fund is promoted as a self-help tool for the neighborhood and is a private source of loans, not grants, which are to be paid back to provide a continuing resource to the neighborhood(s).

Rehabilitation counseling

NHS provides analyses of home repair needs, design assistance, cost estimates, work write-ups (specifications), and home repair counseling in relation to owner desires and code deficiencies.

Construction monitoring

NHS provides on-site inspections of work in progress for NHS loan fund clients and as a service to NHS clients financing repairs through other resources. NHS serves as a communication link between contractors and residents.

Code inspections

A sensitive, systematic, and comprehensive housing inspection program is key to program effectiveness. The inspections are aimed at achieving voluntary compliance with generally accepted health and safety standards, but are backed up with local legal authority. In order to implement this strongly recommended program component a city designates specific inspectors to work with the NHS.

Advocacy for neighborhood improvement

NHS concentrates on improving the quality of life for neighborhood residents. It is not merely a lending program. NHSs secure public and private resources for capital improvements and improving vacant dwelling units, commerical and multifamily structures, etc. The board of directors continuously evaluates NHS progress towards stabilizing the neighborhood, and may add new program components or expand services to additional areas. Normally, NHS will continue to provide some minimal level of services to the original neighborhood(s).

Neighborhood reinvestment

The role of Neighborhood Reinvestment is to develop the partnership which forms the heart of the NHS. To maintain the strength and vitality of the program, Neighborhood Reinvestment offers a variety of services including on-site workshops and educational programs, specialized training programs for new NHS staff, educational conferences for NHS boards of directors and staffs, and technical assistance.

THE DEVELOPMENTAL PROCESS

Bringing an NHS program into existence involves creating a working partnership among disparate groups—groups which, before the NHS developmental process, more often than not exhibit some degree of hostility or lack of confidence in one another. Establishing positive relationships among business people, representatives of local government and neighborhood residents is the central thrust of the developmental process. The men and women on the program development staff of Neighborhood Reinvestment are trained in educational processes designed to "build bridges" between the partnership groups, enabling the three groups to discover the common ground on which each of their self-interests will be served and to provide them with the necessary information and understanding to develop an NHS program tailored to the needs of their local community.

The developmental process necessary to establish a new NHS usually takes between 9 and 12 months. The process begins with an application or expression of interest from a city government, a community group, a local financial institution, etc. In response to that inquiry, Neighborhood Reinvestment staff visit the city in order to assess the willingness of potential members of the partnership to commit their energies to the program.

Once Neighborhood Reinvestment staff are convinced that the potential commitments exist for the formation of an NHS, a field representative is assigned and a local coordinator is hired. The local coordinator, someone who is already familiar with the community, works with members of the potential partnership groups in preparation for a carefully designed set of workshops and committee tasks in which local participants develop working relationships and an important sense of joint authorship of the NHS.

The first workshop brings together business and financial leaders, city officials, and community leaders to learn in depth about NHS and commit themselves to establishing a program. An affirmative decision involves the following commitments:

All partners agree to serve on committees for the remainder of the developmental process and to actively participate in the affairs of the NHS once established.

Business and financial leaders agree to make financial contributions in support of the NHS operating budget. Financial leaders agree to make home improvement and purchase loans to qualified NHS residents.

Local government officials agree to make capital improvements and code inspections in the target neighborhood, cooperating with residents in identifying needs. Officials also commit to provide capital for a revolving loan fund for unbankable residents. In smaller communities with limited financial institution bases, the local government also may provide part of the NHS operating budget.

Residents agree to actively participate in the program by improving their homes and neighborhoods in cooperation with the other two partners.

The remaining workshops involve selecting a target neighborhood, involving significant resident representation from the selected neighborhood, witnessing an operational NHS in another city, adopting by-laws for the new corporation, and electing a board of directors. The developmental process culminates with the hiring of staff and initiation of operations in the NHS neighborhood.

Although Neighborhood Reinvestment's formal role ends when program operations begin, training and technical services are provided to the board and staff upon request. Other types of support, including the provision of interim directors during transition periods, are also provided.

PROBLEM PROPERTIES STRATEGIES

Program goal

Problem Properties Strategies are designed to assist NHS programs in addressing "sticking points" which are beyond the scope of basic NHS services and financial resources. These Problem Properties vary among neighborhoods but frequently involve: vacant or abandoned houses; low percentages of homeownership and a significant number of poorly maintained rental properties; vacant lots; a lack of affordable quality rental housing; and small undermaintained buildings. Through the implementation of various problem property strategies, NHS programs with assistance from Neighborhood Reinvestment are able to address these sticking points:

Assist potential owner-occupants in purchasing and rehabilitating vacant houses or blighted rental property.

Promote confidence in target blocks as problem properties are treated.

Improve the physical condition of target blocks.

Generate and reinforce interest in NHS services by neighborhood residents.

Stimulate private reinvestment and new conventional mortgages in the NHS community.

Methods of achievement

The Rehabilitation and Sale Program allows a local NHS to purchase a vacant house, rehabilitate the home fully, and then resell the improved property to a homeowner. In some instance, a modest subsidy from the local government or other source is needed to bring the price of the house down to the neighborhood market value.

Neighborhood Marketing efforts focus on a neighborhood marketing program to attract new owner-occupants for vacant or abandoned properties which may be too expensive for a neighborhood tenant to purchase and rehabilitate. The approach includes homeownership counseling, rehab assistance, and financing alternatives, and may also provide current homeowners with home maintenance training.

Tenant Conversion assists existing neighborhood residents in purchasing the home they presently rent or a nearby home in the NHS neighborhood. A tenant advisor assists families in finding homes to buy within the neighborhood and works with them to obtain financing and address rehabilitation needs. In city after city, NHS programs have discovered a large pool of stable renters with excellent rent payment records and the ability and desire to become homeowners with the help of NHS counseling and flexible financing. Using this approach, problem properties represented by undermaintained, absentee-owned properties can also be eliminated.

The principal participant groups and operational elements which may be selected for development of a Problem Properties Strategies program include the following:

Neighborhood Residents agree to serve on committees which direct the program; stimulate the interest of others; identify menacing properties suitable for acquisition, rehabilitation and sale; assist in locating owners of vacant buildings; watch homes during reconstruction to reduce vandalism; market properties to prospective purchasers; encourage neighbors to improve their properties; and work to obtain public improvements in the program area.

Financial Institution Representatives agree to serve on committees which direct the program; contribute their technical expertise as an equal partner in the program; provide construction and permanent financing; convey institution-held properties to speed their rehabilitation and sale; and assist when appropriate in obtaining necessary insurance.

Local Government Representatives agree to provide diagnostic housing and building inspections; acquire properties and/or convey government-held dewllings to speed rehabilitation and sale; consider forgiving back taxes to make acquisition feasible; provide public improvements to the target area; consider underwriting partial operation costs for the program; and subsidize capital outlays to ensure sale of homes at neighborhood market values.

Technical Staff administer the process; carry out the goals of the Problem Properties Strategies program partnership; and manage the program.

Realtors agree to market vacant properties, coordinating their efforts with lending institutions, the city, and the NHS staff.

NHS Revolving Loan Fund is made available to unbankable clients who wish to purchase and/or rehabilitate previously vacant or rental houses.

Accomplishments

During fiscal year 1983, five Problem Properties Strategies programs will have been initiated.

As a result of the Prudential's social investment of $5 million in the national NHS secondary market, administered by NSHA, NHSs now have access to low interest money for first mortgages. This resource is enabling NHSs to overcome "sticking points" in their neighborhood revitalization strategies.

Impact

NHSs with Problem Properties Strategies which focus on rental conversion to home ownership have converted and rehabilitated an average of 20 to 25 houses per neighborhood, with an average total value of about $418,000. Throughout the program, 40 to 75 potential new homeowners are counseled.

NHSs with strategies which focus on rehabilitation and sale of vacant houses have averaged about 6 houses per neighborhood, with an average per year total value of $180,000. Directly related spin-off reinvestment by residents in target areas is evident but cannot be separated from the overall impact of the NHS.

INSURANCE INDUSTRY FULL PARTNERSHIP PROGRAM

Program goal

The Insurance Industry Full Partnership Program was developed in response to difficulties NHS residents were having in securing voluntary insurance and the impact this was having on the NHSs' ability to rebuild confidence in their neighborhoods. The Insurance Industry Full Partnership Program is designed to strengthen the delivery of voluntary residential insurance services in the neighborhood as well as involve the local insurance industry in the financial and managerial support of the NHS at a level comparable to that of the banks and savings and loans.

Methods of achievement

Creation of an NHS-Insurance Industry Full Partnership Program entails 9 months of workshop and committee work. This process brings together, usually for the first time, senior company officers, local company underwriters, agents, residents, lenders, city representatives, and NHS staff. For most insurance representatives it is often the first time they actually walk through the neighborhood or develop a sense of what happens when a neighborhood begins to turn around. Usually it is the first time a city code official and an underwriting manager have the opportunity to discuss and recognize the similarity between company underwriting criteria and city code requirements. And for residents, it is the first time they have been given detailed information concerning industry operations, structure, and limitations—which provides an important base for their participation for developing new products, marketing strategies, and adaptation of eligibility criteria. Through service on committees, the groups work together to develop specific proposals concerning:

How the delivery system can be strengthened in order to assure residents access to, and service by agents;

The need for additional forms of insurance coverage which would be responsive to residents' needs;

In light of NHS efforts, the criteria which need to be met in order to be eligible for particular forms of coverage;

The roles NHS can play in facilitating education/communication among companies, agents, and residents; and

The level of financial and management support the industry can provide to the NHS's operation.

Based upon the development of this pilot project in Chicago and replication in seven additional cities, we have found the basic components of this program to be:

An in-house NHS Insurance Coordinator who provides outreach, one-on-one counseling to residents, assistance throughout the process of securing coverage through the voluntary market and/or claim settlement and in reducing the need for the Fair Plan in the NHS neighborhood;

Company communications to their underwriters and agents regarding their desire to service NHS neighborhoods;

A list of agents who are familiar with the neighborhood and want to and are able to provide good service;

Company liaisons who know the neighborhood and can assist in the placement of insurance should any difficulties arise;

The availability of a full range of coverages by standard carriers which will respond to the needs of NHS residents;

Recognition of the similarity between general industry underwriting criteria and city code and that homes which are up to code will in most cases meet general industry underwriting criteria;

Industry representation on the NHS board and committees; and

Industry participation in the financial support of the NHS at a level comparable to that being provided by the banks and savings and loans.

Impact

In the past four years, as a result of their participation in the creation of NHS Insurance Industry Full Partnership programs, a number of companies have developed and tested new forms of coverage to address the insurance needs of urban homeowners such as: properties with a substantial discrepancy between market and replacement values; sound properties adjacent to vacant and/or poorly maintained rental buildings; and vacant properties undergoing substantial rehabilitation. The NHS strategy of coordinated reinvestment on a block-by-block approach has provided companies with the environment in which they can test these coverages.

The companies' commitment to NHS is also reflected in financial investments in NHS partnerships in the form of contributions and social investments. Company contributions to NHS Full Partnership programs have totalled over $1.8 million to date.

These industry-wide contributions have enabled the eight local Insurance Full Partnership programs to enhance services in their neighborhoods, and special challenge grants from the St. Paul Companies and Allstate have allowed the Twin Cities and Chicago NHSs to expand their programs to additional neighborhoods. Equitable, Prudential, Allstate and Aetna Life & Casualty have also recognized that the NHS neighborhood offers sound investment opportunities and have made significant commitments to NHSs through social investments in the NHS secondary market, administered by NHSA.

OWNER BUILT HOUSING PROGRAM

Program goal

The program addresses the severe shortage of affordable, quality housing facing moderate income families. Based on a rural self-help model, this new program enlarges homeownership opportunity in NHS neighborhoods by families collectively building their own homes, with supervision, coordination, and technical assistance provided by NHS. The initial demonstration project in the NHS neighborhood in Oakland, California was developed in 1980. It consisted of 14 families who invested 40 hours of work per week per family for a period of nearly a year. This investment has enabled each family to take title to a conventionally-financed home with an estimated market value of over $85,000 by assuming a $43,000 mortgage.

Methods of achievement

The program was designed and has been implemented by the NHS in Oakland, California. The program progressed in the following manner:

Development Phase.—The NHS purchased contiguous lots from the city at a reduced cost, received commitments from lenders to assist in financing the construction, and prepared house plans.

Pre-Construction Phase.—The NHS marketed the program and selected participants based on income limits. Participants organized family associations and were provided construction training by the NHS. Lenders assisted in qualifying participants for loans.

Construction Phase.—The NHS provided construction supervision and inspection services to groups of families as they cooperatively built each of the 14 houses.

Loan Closing.—The NHS assisted in closing out the construction loans and securing permanent financing for the families so that they could immediately occupy their homes.

Accomplishments

This construction method of building single-family homes for about half the market value is being replicated in Santa Ana, California; Salt Lake City, Utah; Hartford, Connecticut; Nashville, Tennessee; and Clackamas County, Oregon; and has expanded to eight additional owner-built houses in Oakland being built.

Impact

The following table summarizes the direct impact of the Oakland NHS's Owner-Built Housing program:

OWNER-BUILT HOUSING

	Per unit	Total
Fourteen home development:		
Land and improvements	$6,000	$84,000
Construction	31,000	434,000
Financing	6,000	84,000
Total	43,000	602,000
Estimated market value	85,000	1,190,000
Savings to owner-builders [1]	42,000	588,000
Administrative costs (covered by Neighborhood Reinvestment Grant)		130,000

[1] Equals family labor equity earned.

Note.—Administrative costs in future Owner-Built developments are expected to be approximately 50 percent lower than in the pilot project. The leverage on Neighborhood Reinvestment's start-up assistance will continue to grow as future development is totally funded by local resoures.

ENERGY CONSERVATION

Program goals

The goals of the energy conservation program are to create model neighborhood energy conservation strategies which can then be replicated in other NHS and AIP neighborhoods.

Neighborhood Reinvestment has been working with several NHSs across the country in developing comprehensive and effective energy conservation programs to combat rising fuel and utility costs. With assistance from the Ford Foundation, the strategies developed, materials produced, and experience gained from the most promising models are being incorporated into "composite" models. These model strategies will be tested and refined this year through their replication in three NHS neighborhoods and two Apartment Improvement Programs.

Neighborhood Reinvestment is also increasing the quality and quantity of energy conservation in order to assure that energy conservation improvements are integrated into the rehabilitation and counseling services offered by the local NHSs. In addition, Neighborhood Reinvestment is now publishing a journal on energy conservation techniques and strategies to be utilized in rehabilitation by NHS and AIP programs.

Methods of achievement

Neighborhood Reinvestment funded three programmatic approaches toward delivering energy conservation services to NHS residents:

Elmwood NHS Energy Conservation Program.—(Providence, Rhode Island) The Providence Elmwood NHS is developing an energy conservation program that provides a comprehensive energy audit program and educational outreach. The energy audit will: (1) evaluate the effects of physical problems on energy consumption; (2) determine the effects of living patterns and habits on energy consumption; and, (3) analyze energy costs related to a building's cash flow. The educational outreach includes seminars, workshops, and working models demonstrating how various energy conservation measures can actually be used.

Ferry Village NHS Energy Conservation Program.—(South Portland, Maine) Ferry Village NHS is systematically integrating energy conservation audit and repair procedures into its operations. Energy conservation is being tested as an alternative to sensitive code enforcement in marketing of the NHS's comprehensive rehabilitation services. In-home discussions and workshops for small groups of residents also demonstrate cost-effective do-it-yourself energy conservation techniques.

Salt Lake City NHS Energy Conservation Program.—(Salt Lake City, Utah) Salt Lake City NHS is coordinating the full spectrum of existing energy conservation resources for its neighborhood. Partners with the NHS in this effort include: city and state governments, utility companies, schools, lending institutions, contractor trade associations, and community action programs. The comprehensive plan evolved in the NHS neighborhood will serve as a model for other neighborhoods in the city.

Based upon the success of these efforts, Neighborhood Reinvestment was awarded an energy conservation grant by the Ford Foundation to allow for an expansion of energy conservation efforts among NHS and AIP programs. The grant help to support energy conservation efforts by three NHSs and two AIPs as well as training programs at Neighborhood Reinvestment's Training Department. In addition, the grant contributed to the publication of Weathervane.

The NHS programs which shared in the Ford grant funds are in Chelsea, Massachusetts; Denver, Colorado; and Rochester, New York. In Chelsea, the NHS staff is working with property owners, managers, and renters in developing a model approach to integrate weatherization into both the rehabilitation and management of two- to six-flat buildings.

In Denver, the Highland NHS undertook a comprehensive weatherization project which focuses on training volunteer residents, predominantly senior citizens, as energy auditors. The residents will help market the program, do audits, and informally assist homeowners as they complete their energy conservation rehab.

In Rochester, two NHS rehab specialists were trained as energy auditors by the Rochester Gas and Electric Corporation. After training, they developed a plan to incorporate energy conservation into many aspects of the NHS rehab process. The NHS also organized an energy conservation committee with strong representation from utilities and various energy conservation groups.

AIP programs sharing in the Ford grant funds are in New York City's Northwest Bronx and Pelham Parkway areas. Projects in these two programs are integrating conservation techniques and materials into the rehabilitation and management of large buildings. Through AIP, New York City's rehab staff was helped to place more emphasis on energy conservation in work write-ups. Presently, the first rehab packages are being reviewed with lenders.

Neighborhood Reinvestment's Training Department used some of the Ford funds to establish model curricula and training in energy conservation for NHS executive directors and rehab specialists. The training for executive directors includes methods of increasing outreach services to the community, and the use of energy conservation as both a marketing tool for NHS programs and as a way of attracting other resources, such as utilities, to the partnership. The training for rehab specialists spans the need for energy conservation, the basics of technology and up-to-date product information, the cost effectiveness of low-cost and no-cost weatherization, and the conservation specialist's role as a community educator.

NEIGHBORHOOD COMMERCIAL MANAGEMENT PROGRAM

Program goals

This program is designed to assure the viability of commercial corridors by strengthening small businesses, improving the physical environment of the area, and providing additional goods, services, and employment for the community. A Neighborhood Business Center is created which is a locally controlled partnership of merchants, commercial property owners, residents, lenders, and city officials and is intended to complement the work of NHS programs.

Methods of achievement

Neighborhood Reinvestment has studied nine neighborhood commercial revitalization projects to draw out the best "eclectic" model from all of them and has worked intensively with groups in four cities—Baltimore, Chicago, Philadelphia, and Portland (Oregon)—to fine tune the model for dealing with the complex problems facing neighborhood business corridors. The model is based on a partnership approach, following the successful partnership process of the NHS program. This approach is based on the conviction that the residents, merchants, property owners, government, and lenders who do business in an area all share an interest in seeing the area remain a vital community asset. Key elements of the model are:

Neighborhood Businesses and Property Owners.—In order to affect the change on a business corridor, the merchants and property owners must be willing to:

Develop a Neighborhood Business Center organization; reinvest in their own businesses and properties; plan and implement a joint advertising and promotion campaign; establish design standards; develop a long-range physical plan for the district; and establish a Special Assessment District.

Community Representatives.—In defining needed improvements, community representatives must be willing to:

Develop and support a Neighborhood Business Center organization; provide input on merchandising, advertising, and promotion; and identify needed public improvements.

Financial Institutions and Other Business Leaders.—Representatives of financial institutions and other businesses contribute their time to serve on committees, offering sound business judgment for the benefit of the program. Representatives of financial institutions become involved in individual building analysis and also:

Restructure mortgages where necessary; serve on a loan committee; assist in identifying and/or financing new businesses; and help raise operating and revolving loan funds.

The City. The city's role is one of coordination and funding. The city:

Increases capital improvements and services to the corridor; helps to find a revolving loan fund for nonbankable business or real estate loans; helps to develop and enforce design standards; helps to develop and maintain a Special Assessment District; and helps to fund the development of the program.

In order to make important decisions and manage staff, the partnership establishes a non-profit corporation with a specific description of purpose and by-laws. The board of directors of the corporation has the authority to hire and manage a staff which is headed by a Neighborhood Business Center manager who is responsible for advertising, promotions, community relations, sanitation, security, and maintenance. These functions must be performed continually and should be paid for by the business owners through an equitable assessment arrangement.

The Role of Neighborhood Reinvestment.—Neighborhood Reinvestment acts as a catalyst to bring the partnership together and to develop the program. In doing so, Neighborhood Reinvestment:

Conducts a detailed market study of the business corridor to ascertain its potential

Enters into a development agreement with a local entity (usually city government) to assist local merchants, property owners, residents, financial institution representatives, and representatives from local government in creating a Neighborhood Business Center

Conducts a careful survey of local resources and secures the interest of institutions and individuals concerned with neighborhood preservation

Hires and manages a temporary, full-time Neighborhood Business Center manager to immediately activate the program

Conducts an educational process featuring several workshops designed to acquaint representatives of all segments of the partnership with operational details of the program, and assists them in fitting the options to local needs

Assists in the organization of the partnership structure and selection of permanment staff for the program

Provides training and technical assistance to the program staff during the development phase and later stage of operation

Accomplishments

The model is currently being replicated/refined in the West End neighborhood of Atlanta, Georgia; the East Main Street neighborhood in Bridgeport, Connecticut; the Pine Avenue area of Niagara Falls, and Troost Avenue area of Kansas City.

TRAINING AND TECHNICAL SERVICES

Program goal

The program goal of training and technical services provided NHS programs is to help local NHS programs become operational and to ensure their continued viability and effectiveness.

Methods of achievement

These program goals are accomplished by providing ongoing local training and technical services program reviews; grants to support capitalization and operating expenses of a secondary market for low interest NHS loans operated by Neighborhood Housing Services of America (NHSA); formal training programs; on-site training; and educational conferences.

ONGOING TRAINING AND TECHNICAL SERVICES

Technical Services.—Local circumstances such as the loss of a staff member or limited financial resources can threaten the momentum of an NHS. When this occurs, the NHS may request technical services from Neighborhood Reinvestment. These services may come in many forms, ranging from assisting with bookkeeping or housing rehabilitation problems to conducting workshops on the operation of loan committees or providing a temporary executive director. By design, an NHS is an autonomous local private corporation. Although every NHS has the same basic focus of neighborhood revitalization, each program's partnership board has a unique composition, and thus has different strengths and weaknesses. This is equally true of the staff at each NHS. Because no two neighborhoods are the same, each NHS also faces somewhat different problems. To provide the range of technical services needed, without affecting the program's autonomy, requires a sensitive and highly flexible response from Neighborhood Reinvestment field staff.

Fund Raising Assistance.—High construction costs and larger numbers of unbankable neighborhood borrowers have strained the capacity of individual local NHS revolving loan funds. This has, in turn intensified demand in the secondary market for NHS revolving loan fund loans, administered by Neigborhood Housing Services of America.

At the same time, there is a great deal of demand for NHS programs to expand into additional neighborhoods, and specific neighborhoods. In order for NHS to pursue these expansions, both programmatic and geographic, additional operating funds are required for each local program undertaking them. Traditionally NHS operating budgets have been contributed primarily by local financial institutions; however, the current difficult economic conditions for thrift institutions have reduced the ability of NHS programs to raise funds from this source. In addition, remaining sources of Federal assistance are subject to intensified local competition. As a result, a broader base of corporate support is required in most communities in order for NHS programs to maintain their services and undertake programmatic and geographic expansions.

Development of financial resources for NHS is a shared responsibility between Neighborhood Reinvestment and NHSA. NHSA has retained the firm of Marts & Lundy, Inc. as fund raising counsel and, with their assistance, we have undertaken a financial development effort to provide assistance to the NHSs in raising local operating budgets and in expanding the secondary market to meet the needs of NHS revolving loan funds in the 80s. (See Appendix H.) A major focus of Neighborhood Reinvestment field staff efforts has been in providing counseling and assistance to NHSs in preparing to undertake local fund raising campaigns within the corporate communities in their cities. Training and a fund raising guide were provided by NHSA to Neighborhood Reinvestment staff.

Emergency Reimbursable Grants.—Reimbursable grants are a new category of assistance to NHS programs. They are intended to be used sparingly in situations where an NHS is undertaking vigorous efforts to expand its base of contributions, but is experiencing a cash flow difficulty. When such conditions exist, which threaten the ability of a program to continue its work, Neighborhood Reinvestment can assist with a grant, some or all which may be reimbursable, depending upon the success of the local fund raising effort. One-hundred-fifty-thousand dollars in such grants were made to five NHS programs in FY 1982, and $300,000 has been budgeted in FY 1983.

Neighborhood Strategies.—Neighborhood strategies involve helping the NHS board and neighborhood residents, block-by-block, set specific goals toward completing work in their neighborhood. This is a refinement on our earlier goal of "turning around" a neighborhood where our emphasis had been on changing the direction from decline to improvement. Today, as more and more neighborhoods are reaching the point of needing to decide just when the NHS will have achieved its goals and there is growing demand for NHS to serve additional neighborhoods, a finer tuning of what "completion" means is required. Through work with individual NHS programs, we have been able to assist NHSs in focusing on this concept and begin setting specific, attainable goals for completion in neighborhoods and sub-neighborhoods.

Program review

The purpose of program review is to monitor NHS's progress and to facilitate a self-examination by the partnership of the NHS program. This is accomplished through meetings with the partners and working committees to discuss their roles, program activities, accomplishments, and challenges facing the NHS. The NHS is responsible for administering public funds in accordance with sound management principles and related contractual agreements. An evaluation of program management and service delivery systems is accomplished through a review of the lending, rehab, and fiscal management elements of the program.

Secondary market support

A significant element leading to the success of NHS programs is their continued ability to provide low interest loans for home improvements to homeowners who are unable to obtain financing through conventional means. This assistance is provided through a revolving loan fund. This loan fund is initially capitalized through a direct grant from Neighborhood Reinvestment to a new NHS and by grants from the local governments, foundations, and corporations to the NHS. This loan fund has become particularly important in the high interest environment in which NHSs must now operate.

Revolving funds would soon be exhausted were there not a secondary market for the loans. This secondary market is provided through the financial operations of Neighborhood Housing Services of America (NHSA). Neighborhood Reinvestment in its support function provides capital to NHSA to purchase loans, subsidize interest rates and operate the secondary market. NHSA, in turn, sells securities backed by the loans purchased from local NHS programs to institutional investors at below market rates. (For a more detailed description of the operations of NHSA's secondary market, please see Appendix H.)

Training for new directors and construction specialists

Training Programs.—Neighborhood Reinvestment's NHS training department offers several intensive courses for new and prospective NHS staff members to ensure high quality, comprehensive training in organizing, managing, and providing technical services to NHS neighborhoods.

Executive Director's Training Program.—An extensive introduction for new executive directors to the operation of an NHS. This three-week course provides new executive directors with the wide range of skills and knowledge needed to manage a local nonprofit corporation. The course provides participants with a grounding in the philosophy and goals of NHS, leadership development, service delivery principles for voluntary organizations, and in day-to-day management skills. It also provides a general examination of the technical components of an NHS: revolving loan fund principles, appraisals and loan underwriting, conventional lending principles, construction monitoring, neighborhood strategies, and housing rehabilitation techniques.

Construction Specialists Training Program.—Is an extensive introduction to the organization and management of the construction components of an NHS program. Geared to meet the specific needs of new NHS rehabilitation/construction specialists, the program includes working sessions on building inspections, specification writing, cost estimating, contractor supervision and construction payouts, and client/contractor relationships. The principles, operation and repair of mechanical systems (such as electric, plumbing and heating) are studied under the guidance of master tradesmen.

Local program staff and partnership training, conferences and workshops (educational conferences)

On-Site Training.—Neighborhood Reinvestment's field staff provides training tailored to meet the individual needs of each program. This assistance includes:

NHS Executive Director Orientation.—Designed to provide a new director with a general overview of NHS operations and a recommendation for an individually-tailored self-education program which may include an internship in a savings and loan, a bank, or the city's code department. The orientation also assists the director in getting local operations underway and in acquiring job descriptions and other administrative materials developed by other NHS programs.

Board of Directors Workshops.—Field staff also help the boards of newly-formed programs plan and conduct a workshop to formulate their committee structures, establish goals, and define the roles of board members and staff. Established boards may request a workshop as a structured forum in which to review their progress, set new goals using management-by-objectives techniques, or draw upon the experience of other programs to overcome a particular problem.

Local Educational Workshops.—As needed, members of the NHS partnership request assistance in conducting special workshops, e.g. to increase the involvement of local institutions which provide appraisals, loan underwriting, real estate services, construction, and mortgages. The workshops are designed to explain NHS goals and potential achievements to persons influencing the availability of resources and services in NHS neighborhoods.

Educational Workshops.—Each year, a number of special purpose conferences are held to enhance the delivery of quality services to NHS neighborhoods. These conferences are designed to augment present skills among NHS participants, and to introduce new ones. Additionally, they recognize the need of NHS participants to share experiences and knowledge with others working toward similar neighborhood goals.

The NHS Leadership Conference provides the leadership group of every NHS with the opportunity to focus on its program's own long-range planning and development and to discuss issues that affect the NHS network as a whole. Held annually, the conference brings together four representatives from each NHS program to discuss major policy and business issues. Each NHS is represented at the national conference by a resident board member, a business or financial board member and a city official (one of whom is the NHS board president), and the program's executive director.

NHS Annual Partnership Conferences are held on a regional basis to bring together representatives of every NHS partnership in that area for a full range of technical workshops and seminars devoted to NHS operations. Planned by a committee of NHS partnership members, these educational experiences focus on such topics as neighborhood marketing, goal-setting, city and state resources, and the relationships among the various NHS partners. The Partnership Conferences are particularly important for newcomers to the NHS movement, providing both formal and informal settings at which NHS participants can share their experience and knowledge with others from cities within their region.

Residents' Conferences provide a strong vehicle for resident board members to share their experiences with colleagues from other programs within their region. Organized by residents on a regional basis, the conferences encourage information-sharing and discussions about the most effective ways of contributing to the NHS partnership. Formal conference sessions focus on specific regional issues, and such concerns as sensitive code enforcement, loan processing and community organizing.

Impact

It would be difficult to separate the impact of training, and technical services from that of NHS in general. Each NHS program has the potential to produce about two million dollars in neighborhood benefits per year. The investment in maintaining and strengthening the health and viability of existing NHS programs is extremely cost effective. The backing of Neighborhood Reinvestment's training and technical services is a significant resource of NHS programs that give them increased viability, compared to other nonprofit organizations carrying out community development activities.

NEIGHBORHOOD PRESERVATION PROJECTS

Program goal

Neighborhood Preservation Projects (NPP) selects and evaluates promising new program tools based on their addressing unmet neighborhood needs. The NPP process begins when an NHS or similar organization crafts a strategy to address one of these needs. Neighborhood Reinvestment selects a number of the most innovative solutions for grants and technical assistance. The projects generally serve a declining neighborhood and are on the modest scale appropriate to the NHS approach. The objective is to discover workable new neighborhood program tools and chronicle the particular experience so that it can be replicated in other neighborhoods.

Methods of achievement

The goal of Neighborhood Preservation Projects (NPP) is achieved by a three-part process which includes:

1. Identification/Selection.—NPP searches for effective local strategies that can become useful program tools in other neighborhoods. In choosing projects to support, NPP uses the following criteria:

Meets a substantial need.—Initially, the proposed project is analyzed to ensure that it meets an important and demonstrated need, and that the project will solve a local problem that has been identified by people working in the neighborhood.

Demonstrated capacity.—The sponsoring organization must have operational experience and demonstrated capacity to conduct the project. This may be an NHS or similar community-based organization, or, in some cases, a local government working closely with a neighborhood association.

Partnership approach.—The sponsoring organization must also have active participation by other neighborhood partners such as lenders, residents, merchants, and local government. In addition, local government should be willing to provide financial resources and technical assistance to the projects.

Provides information.—The project must be capable of providing the practical information needed for Neighborhood Reinvestment to develop a workable demonstration project in other neighborhoods.

2. NPP Monitoring and Evaluation—Documenting Results.—Once promising projects are selected, NPP requires each project to collect and provide information which is monitored during the project and then evaluated at the end of the contract.

Monitoring.—The original work program is the framework for observing the project. NPP periodically examines the following:

Structure—How the project is organized to do business. Operations—What activities are undertaken to reach the goal. Outputs—What has been accomplished, such as units rehabilitated, houses sold, tenants converted to owners, and increase in merchant sales.

NPP also gives technical assistance to projects which need help in meeting objectives.

Evaluation.—The reporting process and our technical assistance provide the necessary information to determine: (1) whether the program works; and (2) whether it can be replicated in other neighborhoods.

Does it work?—The project must clearly show that it meets a neighborhood need effectively and does it in a way that draws on the original partnership. Is it replicable?—NPP must then determine whether the essential elements are broadly applicable in NHS neighborhoods. In order to make this judgment, we bring in other NHS neighborhood staff to discuss the use of the new program tool.

3. Packaging Model for Replication.—The final step is to pull together all that has been learned into a format that fully describes the model and becomes the basis for pilot replication by the Neighborhood Program Development division. The information includes:

A history of the program's development; a description of the program's essential elements and time requirements for implementation; a description of the partnership and the resource commitment level; a description of the organizational form and staffing patterns; and a description of the target neighborhood and program impact.

This becomes the blueprint program model and instructional base for testing the new tool in other neighborhoods.

Accomplishments

All of the programmatic components now in the replication stage were originally successful Neighborhood Preservation Projects. These have included:

Apartment Improvement Program (AIP).—From the City of Yonkers (NY) Apartment Building Rehabilitation Project.

Neighborhood Conservation Services (NCS).—From the Berkeley (CA) Pilot Development and Marketing Project.

Problem Properties Strategies.—From the Jamaica Plain (Boston, MA) Vacant Housing Renovation Project; City of Baltimore 26(h) Project; Pueblo (CO) NHS Rehab Training Project; Stop Wasting Abandoned Properties (Providence, RI) Project.

Statewide NHS Foundation.—From the California NHS Foundation.

Owner-Built Housing.—From the Elmhurst NHS (Oakland, CA) Owner-Built Housing Project.

Energy Conservation.—From the Elmwood NHS (Providence, RI), Ferry Village NHS (South Portland, ME) and Salt Lake NHS (Salt Lake City, UT) Energy Conservation Projects.

Neighborhood Business Centers.—From nine separate projects in the following cities: Toledo (OH), Cleveland (OH), Philadelphia (PA), Portland (OR), Baltimore (MD), Chicago (IL), Atlanta (GA), and Bridgeport (CT).

Home Ownership Promotion (HOP).—From the Baltimore NHS Home Ownership Development and Marketing Project (now part of Problem Properties Strategies).

NEIGHBORHOOD PRESERVATION PROJECTS—CURRENTLY FUNDED DEMONSTRATION PROJECTS

New construction in older neighborhoods

Strategies to construct new single-family housing for current neighborhood residents.

Chicago NHS/Infill Housing Project. (Chicago, Illinois).

New Haven NHS/Infill Housing Project. (New Haven, Connecticut).

Neighborhood rental resources

Neighborhood-controlled rental resources involving rehabilitation, management and ongoing maintenance of properties to serve low- and moderate-income renters.

Baltimore NHS/Neighborhood Rental Services (Baltimore, Maryland).

Ithaca NHS/Rental Rehab Project (Ithaca, New York).

Property management strategies

Property management services that stabilize apartment buildings by bringing sophisticated management, financial analysis and maintenance services to residents and owners.

Anaheim AIP Property Owner & Tenant Multi-Family Management Project. (Anaheim, California).

Flatbush Multi-Family Apartment Management Project. (Flatbush, New York).

Energy conservation

Program integrating energy conservation techniques into neighborhood housing rehabilitation programs.

Ithaca NHS/Super Energy-Efficient Rehab Project. (Ithaca, New York).

Neighborhood youth leadership development and employment training

Programs that provide employment training and leadership development opportunities for neighborhood youths.

La Habra NHS/Student Involvement Project. La Habra, California.

Saginaw NHS/Rehab Training Project. (Saginaw, Michigan).

Salt Lake NHS/Neighborhood Youth Project. (Salt Lake City, Utah).

Arson Prevention

Mechanisms which prevent arson in apartment buildings.

Northwest Bronx Arson Prevention Project. (Bronx, New York).

Neighborhood Maintenance

A process whereby the NHS staff enhances the skills of residents so they can maintain the improvements generated by the NHS. The goal is to recreate a neighborhood that is self-maintained and to enable the NHS to concentrate on other areas needing improvements.

Baltimore NHS/Neighborhood & Home Maintenance Project. (Baltimore, Maryland).

Micro-computer management systems

A high-tech, cost-effective way to assist NHSs in all areas of operation. A process for introducing micro-computers to NHSs is being developed; key areas include bookkeeping, neighborhood data collection, financial planning and analysis, word processing, and construction monitoring.

Chicago NHS/Computer Project. (Chicago, Illinois).

Ft. Worth NHS/Computer Project. (Ft. Worth, Texas).

Ithaca NHS/Computer Project. (Ithaca, New York).

Jersey City NHS/Computer Project. (Jersey City, New Jersey).

Kansas City NHS/Computer Project. (Kansas City, Missouri).

New York City NHS/Computer Project. (New York, New York).

Phoenix NHS/Computer Project. (Phoenix, Arizona).

Quincy NHS/Computer Project. (Quincy, Massachusetts).

Projects for residential improvement and designs for exteriors (P.R.I.D.E.)

Low-cost, resident-initiated neighborhood projects that create visual improvements. Major objectives include generating increased resident involvement, creating a more visible public image, finding more local partners (i.e., paint stores, nurseries, hardware stores), and enhancing local fund raising efforts.

Albuquerque NHS/Resource Development Project. (Alburquerque, New Mexico).

Atlanta NHS (Grant Park) Paint Grant & Erosion Control Project. (Atlanta, Georgia).

Beloit NHS/Neighborhood Video Training Project. (Beloit, Wisconsin).

Des Moines NHS/Voluntary Code Inspections Project. (Des Moines, Iowa).

Govans NHS/Pride Project. (Baltimore, Maryland).

La Habra NHS/Pride Project. (La Habra, California).

Milwaukee NHS/Target Block Completion Project. (Milwaukee, Wisconsin).

Santa Ana NHS/Pride Project. (Santa Ana, California.)

Springfield NHS/Block Club Organizing. (Springfield, Illinois).

Tampa NHS/Pride Project. (Tampa, Florida).

Tulsa NHS/Target Block Paint Project. (Tulsa, Oklahoma).

Westside NHS/Exterior Landscaping Improvement Project. (St. Paul, Minnesota).

Property acquisition strategies

Strategies to deal with the acquisition of buildings and parcels of land in a neighborhood setting for low- and moderate-income housing.

Civic Center Barrio Land Acquisition Project for Owner-Built Housing. (Santa Ana, California).

Shreveport NHS/Property Acquisition Project. (Shreveport, Louisiana).

Mutual self-help rehabilitation

Self-help housing rehabilitation programs where groups of homeowners pool their labor to repair their homes.

Oakland NHS/Mutual Self-Help Rehab Project. (Oakland, California).

People's Self-Help Housing Corporation Mutual Self-Help Rehab Project. (San Luis Obispo, California).

Homeowner rehabilitation financing strategies

Strategies that lower the cost of financing rehabilitation for homeowners.
Davenport NHS/Interest Subsidy Project. (Davenport, Iowa).
San Diego NHS/Reverse Annuity Mortgage Project. (San Diego, California).

Crime prevention strategies

This strategy involves a close working relationship with the police. The local cable TV station will teach the NHS and residents how to prepare educational programs for neighborhood residents. This project will organize residents, reduce neighborhood crime and improve the quality of the neighborhoods.

Tucson NHS/Crime Prevention Project. (Tucson, Arizona).

Marketing strategies

A process that involves reassessment of the needs of neighborhood residents, corporate leaders and local merchants to better match NHS services to the needs of the partners. The end result will be to increase the resources needed to support NHS activities.

Colorado Springs NHS/Marketing Strategy Project. (Colorado Springs, Colorado).

NEIGHBORHOOD HOUSING SERVICES OF AMERICA, INC.

Neighborhood Housing Services of America, Inc. (NHSA) was established as a private nonprofit, state-chartered, tax-exempt corporation in 1974. It gives added private sector strength to the NHS programs, and, through a secondary market, give the NHS programs access to the private investor market as a resource for replenishing their loan funds.

It was anticipated in NHSA's formation that this and other activities to meet common needs of the NHS programs would be carried out by NHSA in cooperation with Neighborhood Reinvestment. This approach has been effective and its continuation was authorized in the enabling legislation for Neighborhood Reinvestment.

"The Corporation (Neighborhood Reinvestment) shall continue the work of the Urban Reinvestment Task Force in supporting Neighborhood Housing Services of America, a nonprofit corporation established to provide services to local neighborhood housing services programs, with grants to expand its national loan purchase pool, and may contract for service which it can perform more efficiently or affectively than the Corporation."

NHSA is a California corporation headquartered in Oakland, California. Its bylaws call for a 15-Member board of directors and it currently operates with a staff of 21 persons located in Oakland; and Baltimore, Maryland. The staff was organized to contain all the staff and partnership skills involved in the NHS programs—financial, community, and governmental process—and, on the basis of these skills, is able to make contributions to many aspects of Neighborhood Reinvestment's work related to NHS operations in general, as well as to the NHS revolving loan fund operations.

NHSA's board of directors includes volunteers representing the same resident-city-financial industry partnership which is the foundation of all the NHS programs, and functions as a resource board for the NHS programs both technically and substantively.

Secondary market operations

Because NHS revolving loan funds are designed to meet the needs of low income people, repayment schedules must be extended over several years to meet the borrower's ability to pay, and the funds revolve slowly. Thus, there is a need for an infusion of new capital to insure that the revolving loan funds keep pace with each program's ability to upgrade its neighborhood. Just as savings and loan associations and banks need a secondary market to which they can sell loans to replenish their ability to make new loans, the NHS Programs also need a secondary market for their revolving loan funds.

To provide a mechanism for the continued flow of revolving loan dollars into NHS neighborhoods, NHSA created a loan purchase pool to serve as an interim secondary market for the purchase of loans from local NHS programs. Annual contributions averaging $480,000 per year from the Neighborhood Reinvestment Corporation provided capital to set up and operate the loan purchase pool. In the meantime, NHSA secured the first buyer to change the character of the loan purchase pool into a true secondary market.

The buyer was The Equitable Life Assurance Society of the United States. In 1978, the Equitable signed a loan purchase agreement for $1 million in ten-year notes at a below market rate of 8½ percent and later agreed to buy an additional $2 million worth of notes.

In 1981, The Prudential Insurance Company of America committed to purchase $5 million in 25-year notes at a below market rate of 9½ percent for a First Mortgage Loan Purchase Program. The Prudential commitment is earmarked to those "problem properties" that escape the routine NHS upgrading procedures to which most homeowners respond. Strategies to address these properties include the purchase and rehabilitation of vacant houses, construction of new homes on vacant lots, and purchase, rehab and sale, or rental of blighted rental properties.

Early experience in the sale of loans to the secondary market has resulted in the replenishment of 58 NHS revolving loan funds to date totaling over $5 million, and future purchase commitments of $2 million. This early experience has also served to develop a workable, dependable mechanism for the NHS secondary market social investments which are needed to assist more than 180 local partnerships in upgrading urban neighborhoods across the nation.

The NHS secondary market is designed to provide substantial assurance to the social investors that NHSA can meet the financial requirements due under any Note Purchase Agreements. The built-in features have worked well in practice since the first note was issued to The Equitable Life Assurance Society of the United States in November, 1978.

NHS mortgages and a cash fund to assure timely payment of principal and interest payments on the NHSA notes are held by a bank trustee for the benefit of the note purchaser. As further security, when any loan being used for collateral for this indebtedness becomes 90 days delinquent, a non-delinquent loan is substituted for it. NHSA replaces the delinquent loan from its portfolio and then, under its agreement with the local NHS, the delinquent loan is returned to the NHS and another non-delinquent loan is forwarded to NHSA.

Servicing of the NHS loans which serve as collateral for the NHSA notes remains with the local NHS. Payments are forwarded to NHSA monthly. NHSA forwards payments to the trustee quarterly. The trustee holds the payments in a "Payment Fund" which is utilized to meet the quarterly payments due on the notes issued by NHSA under the Note Purchase Agreement.

The experience to date has shown no need to use any of the guarantee funds which were set aside to cover delinquencies. This is due to two factors: the NHSs make every effort to offer NHSA loans which they believe will not require substitution; and where substitutions are needed, there has been full cooperation. The need for substitution has been minimal, however, averaging about four per quarter and totaling only 65 over the four-year period of operations out of a total of 734 loans totaling $5,010,318 through September 1982.

One important reason that the secondary market operations can enjoy a sound loan experience is that the NHS loans are made at the ability of the borrower to repay. The interest rates on the NHS loans range from 0 percent to the market rate. NHSA purchases the NHS loans at par and seeks a balance offering of loans with an average rate and term which approximate the average rate and term of the NHS's overall loan portfolio. This has resulted in NHSA loan purchases which average a 5.31 percent interest rate and a 12-year term from NHS clients with a median household income of $9,540 per annum.

Financial development

Beginning in 1980, Neighborhood Reinvestment and Neighborhood Housing Services of America began working actively to promote a broader base of financial support for NHS programs locally and to explore the feasibility of a national fund raising effort.

The need for expanding private sector support is crucial to the work of NHSs for four reasons:

Economic conditions have put unusual demands on private contributions, and increased competition for the limited funds available.

The problems experienced by the thrift industry have reduced its ability to continue its earlier leading financial support role.

The "costs of success" require additional dollars for NHS operating budgets and revolving loan funds to keep pace with the programmatic and geographic expansions of NHS programs.

The escalation of construction costs and interest rates for the past several years strained the capacity of individual NHS revolving loan funds—this, in turn placed additional requirements on the secondary market administered by NHSA.

Significant progress has been achieved to date in this financial development effort. The resources available for this purpose have been very carefully applied to attain maximum lasting progress—focusing first on good preparation and good training and then on actual fund raising activities, giving priority to local fund raising needs.

During 1982, NHSA began direct work with several cities providing staff assistance to actually carry out fund raising for a local NHS program as distinguished from the counseling provided by Neighborhood Reinvestment staff. In the "hands on" efforts undertaken by NHSA, a pattern was established for the fund raising assistance which had been requested by the NHS fund raising advisory committee. Fund raising campaigns to both solidify existing support and to obtain new contributors were undertaken for five NHS programs. In addition, pre-campaign work was carried out for a state-wide campaign for ten programs and a metropolitan area-wide campaign for an additional six programs.

Out of this activity, additional learning has taken place and NHSA has provided an expanded NHS fund raising guide to all Neighborhood Reinvestment field staff. In addition, all Neighborhood Reinvestment field staff members received further training in fund raising counseling during December, 1982 and January, 1983.

NHSA has been carefully and methodically working towards a national fund raising campaign since 1980. This work has been divided into conceptualization of the campaign and obtaining concensus within the NHS network, research, cultivation of advance commitments, cultivation of leadership, and preparation of a suitable campaign environment through publicity. By working carefully and cooperatively with NHS leadership throughout the country, NHSA has been able to ensure that the results and activities of the national campaign will be percevied to be, as well as actually be, compatible with and supportive of local NHS fund raising. The desire to leverage contribution receipts through the secondary market led to a campaign concept which requests corporate contributions that, in turn, trigger precommitted insurance industry social investments of approximately five times the amount of the contribution.

The campaign is designed to address a need for secondary market resources for the balance of the 1980s projected to be in the order of magnitude of $100,000,000 to $150,000,000. The projection includes $50,000,000 for the "regular" secondary market of loans to owner-occupants for rehabilitation purposes which average ten years in term and yield an average of 6%, similar to Equitable's $3,000,000 purchase. This projection is based upon the history of purchases in past years, current requests, and a projection of the number of NHS programs to be served in future years.

An estimate of requirements for up to $100,000,000 is below-market first mortgage funds, similar to those provided by Prudential's $5,000,000 commitment is based upon an assumption of continued high interest rates. The availability of social investment funds below 10% interest rates has made all the difference in carrying out Problem Properties Strategies and providing affordable housing to moderate income families. This projected need would be revised downwards considerably if mortgage rates were to drop to 10% or below.

In preparation for a national campaign and in support of local NHS campaigns, NHSA has been conducting research, and has developed the technical capacity to provide top flight professional assistance to local NHS programs in developing materials and presentations.

The most significant breakthrough in creating the proper climate for a campaign was the action last month by the Campaign Selection Committee of The Advertising Council, Inc. It is expected that the intensive business press campaign which the Ad Council is planning to conduct for NHS on a nationwide basis, will create the backdrop of name recognition and national significance necessary to enlist appropriate leadership and enable that leadership to conduct a successful campaign.

Educational development

NHSA, at the request of Neighborhood Reinvestment, has taken the lead in a long-term educational development project.

Because of the new fields of training inherent in NHS and the generally limited educational resources available in nonprofit organization administration, NHSA is undertaking the development of educational resources for the NHS network at the following levels: internships; bachelor degree programs; master degree programs; and seminars in continuing professional education.

The objective at each level is to institutionalize the results so that as large a measure as possible of the nation's public/private educational institutions can pick up the long-term responsibility for providing for the educational needs of the NHS network.

One segment of the integrated model designed to achieve this goal is a special masters degree program at the University of San Francisco-College of Professional Studies. The 13-month program, developed by NHSA and the University, highlights nonprofit housing/neighborhood revitalization concerns and uses NHS as a centerpiece. This program started its second class of masters candidates in October, 1982. Several candidates from the first program are actively seeking NHS related employment. Efforts to replicate similar programs in other locations continue.

Progress is being made toward initiation of a bachelor level program at several institutions.

At the internship level, a very successful Data Collection Internship has been initiated. Including its pilot in 1981, 80 NHS programs have participated in the internship along with 66 colleges and universities in 1982 alone. Major goals of the internship include the fostering of linkages between NHS programs and their local college communities so that access to additional staff and other resources may be obtained; and to enhance data collection capabilities and capacities of NHS programs.

Mutual housing association demonstration

Purpose.—To develop publicly accountable, competent private nonprofit organizations committed to continued annual production of new and rehabilitated housing at costs affordable to lower- to middle-income families and individuals typical of NHS neighborhoods.

Broadly defined, a Mutual Housing Association develops, owns and manages housing in the public interest. An association is comprised of a partnership of persons seeking housing and persons concerned about and with expertise in providing housing. It is a continuous provider of housing for members through the planned utilization of its assets for continuous new construction or rehabilitation. Acting through its Board of Trustees elected by the members, an association provides overall management for the housing complexes, encourages pride and involvement among resident members, and assures a high level of maintenance of both private and common spaces.

The Mutual Housing Association demonstration includes a model system which offers a form of tenure that provides its resident members both the privilege of lifetime occupancy and a quality home at an affordable cost. The member shares in both the cost of production through a one-time membership fee and in the maintenance and management responsibilities. This mutual housing model offers a new alternative which falls between America's two traditional housing forms—ownership and rental, combining aspects of the financial and maintenance responsibilities of the resident found in each.

The Mutual Housing Association demonstration also includes a model system of financing. It is designed to test a flexible, nonbureaucratic, cost-effective way for the production, maintenance and management of housing for lower income families. The financing mechanism is based on a front-end capitalization grant and membership fees combined with a small conventional mortgage. The capitalization grant to the association is advanced to a given complex of homes and the rent calculation includes gradual repayment of this grant to the association where it becomes a source of capital for future development and provision for major replacement and modernization needs. Since the ownership vests in the association rather than the occupants, refinancing provides a further source of self-generated capital to the association.

The advantages of the capitalization grant system include: (1) flexibility (as interest rates decline, the proportion of grant to mortgage declines for a given rent level); (2) a one-time direct subsidy that does not inflate; and (3) a congruency of goals of developer, consumer and grantor.

The advantages of the tenure and governance system includes neighborhood input into the level of maintenance, a balance between occupant interest and community interest in management decisions and, perhaps most important, a congruence of interest between "landlord" and "tenant" (the lack of this congruence has been perhaps the most glaring failure in America's past assisted housing efforts).

Language in the Housing and Community Development Act of 1980 encourages Neighborhood Reinvestment in its national demonstration of the Mutual Housing Association concept. Baltimore, Maryland was selected as the site for the first demonstration. This selection was based upon enthusiastic cooperation of the NHS partnership, the cooperative stance of the city government, and the availability of a suitable development site.

In late 1980, work began on the Mutual Housing Association in the Govans neighborhood in northeast Baltimore and the basic Partnership group was drawn from the existing Govans NHS partnership. The Govans neighborhood is predominately black, with a wide variety in housing stock. The median family income is 86 percent of the Baltimore city-wide median.

In early 1981, Neighborhood Reinvestment assigned staff to begin working with the Govans leaders to review and shape the mutual housing concept. Following a series of presentations to neighborhood and community leaders and the existing NHS of Govans Board, an outreach effort was initiated to identify renters from the neighborhood interested in learning about "mutual housing," participating in planning a new organization and, most importantly, considering living in a mutual unit. The existing neighborhood and NHS leaders agreed that they wanted mutual housing for Govans, and that it was imperative to involve the potential residents of mutual housing in the planning.

The following are the major accomplishments of this nine-month organizational period:

Development of a mission statement for the association which states its purposes as developing, owning and managing housing for its members in the public interest and continuing to produce additional housing for new members.

Adopting Articles of Incorporation and Bylaws, calling for a 25 member governing board representing a carefully balanced partnership.

Adopting a membership policy which requires a financial commitment through a membership fee from resident members (set at $2,100-$2,500) as well as outlining the philosophy of a mutual self-help housing organization.

Developing the maximum sense of "psychological ownership" and security among the resident members.

The newly formed board is continuing to refine plans for association operations, and has an executive director in place who was hired on an interim basis during the preceding development period.

Also as part of this developmental process, an interim group of Govans leaders and a team of pro bono lending and real estate advisors worked with the staff and the Physical Development Committee. This group assisted in the selection of the ten acre site for the 160 unit development. The decision to begin planning of the first units was considered critical to generating a sense of reality and excitement concurrent to the planning of the association, particularly for the Govans neighborhood leaders and the potential residents. Philosophical goals, concepts and hopes for mutual housing were made real and more easily understandable through the actual planning of the first mutual housing environment.

As the long-term owner of its housing, the association has paid careful attention to designing a housing unit and community of quality, long-lasting construction. As a neighborhood-controlled and neighborhood-directed developer, the association has also worked with Govans leaders to design housing that complements and enhances the neighborhood.

An interim group began work with Neighborhood Reinvestment and Neighborhood Housing Services of America staff while the developmental process was going forward and began working towards the selection of a site for physical development. The local NHS partnership, Baltimore housing leaders, city, and pro bono technical consultants provided input in the selection of a 10-acre vacant lot as the site for an eventual 150 Mutual Housing Association units.

The land has been purchased and the partnership group has provided input to the architect in developing a site plan and working floor plans for the two-story brick townhouse units. Necessary zoning clearances have been obtained, and engineering has been completed.

A number of foundations have been approached to provide support for a capitalization grant to the Mutual Housing Association, and it is anticipated that work will begin in the spring or early summer on a pilot complex of brick townhouses.

Mr. WHITESIDE. I'd like to say that there will be a change in scale at this point in the testimony. What I'm talking about is not major policy but a delivery mechanism that we have had experience with over the past 12 years in urban areas and with which we are engaged in a demonstration in rural areas.

The delivery mechanism that we work with we call neighborhood housing services. It's operating now in 183 neighborhoods in 133 cities. About 20 of those neighborhoods have seen an achievement of the basic goals of the program and we see NHS cycling through a series of neighborhoods in a typical urban setting.

The key elements of the neighborhood housing services include a group of residents who take leadership and are first among equals in a partnership governing the program. The residents bring their expertise and knowledge of the problems of their community. They sell the program to their neighbor and put thousands of volunteer hours into the program.

The business community joins with the program and brings its business judgment to the governing of the program. Businesses contribute operating dollars to the program, and make available their business services to the neighborhood—conventional mortgage and home improvement lending, for instance.

The local government participates as a partner in the program. A local government official participates in governing the program as a board member. Local government brings improved public services to the neighborhood being served, and contributes funds at their disposal to the revolving loan fund of the program.

The most important resource of the program is a revolving loan fund from $300,000 to perhaps $500,000 on an average, which is available to make loans at completely flexible rates and terms to residents who want to improve their property but who "fall between the cracks" of other programs—homeowners who don't meet the standards of either a conventional lender or of public lending programs that might be available. The flexibility of this tool can't be overrated.

Finally, there's a small but highly competent staff which administers the program with the confidence that the program is going to have an ongoing life of some years. A problem of the most similar programs is they've been dependent solely on governmental funding and subject to the ups and downs of that funding. You get a staff aboard and trained and the money runs out and you have to stop the program and start again in another year or two when funding is available again.

Neighborhood Housing Services is basically privately based, with a group of business people committed to the program, committed to raising money for it. It has had stability even during the tough times we've had during the last couple of years, and has been able to continue in a stable way and pursue a planned revitalization of the neighborhood.

We are dealing with declining neighborhoods in the urban programs. Neighborhood median income has been about 83 percent of the citywide median income on the average, but the NHS has focused its assistance on people below the neighborhood median income, the poorer people, and those above it have had their confidence rekindled and have made use of other resources available to them to improve their homes.

So basically, by taking care of the most deteriorated homes and the poorest people in the neighborhood and doing some highly visible strategic work in the neighborhood, you produce a multiplied effect among the people in the neighborhood who can afford to improve their own homes.

We have also brought complementary programs and strategies to the neighborhood housing services program such as a homeownership promotion program which markets vacant property to people outside the neighborhood as well as turning tenants who have the potential of homeownership, into homeowners.

REHABILITATION AND SALES

In our rehabilitation and sales program vacant buildings are purchased, rehabilitated, and written down—normally through a local government grant to the price level of the neighborhood, so they can be sold to people of the neighborhood income level.

We also make available an apartment improvement program, and an owner-built program which we borrowed from the self-help concept which has been so effective in rural areas. We found that with conventional financing and a certain amount of subsidy for administration and through land writedowns, that owner-building can also work in an urban setting.

Our role in neighborhood reinvestment is to be the catalyst to get these activities started, to be the educator, to bring together the partnerships of residents, business people and local government people, to provide training for staff, training for boards and committees, as well as to provide seed money for the revolving loan funds which is matched many times over by local community development block grant funds, local foundations or businesses.

At the direction of the housing subcommittee the House Banking Committee—in House Report 95-1161—when the Neighborhood Reinvestment Corporation was created by the Congress in 1978, we undertook to experiment with adapting the Neighborhood Housing Services concept to rural areas. We developed two Neighborhood Housing Services programs which have taken on the name "community housing services", by and large in rural areas, one in Cattaraugus County, N.Y.; and one in Richland Center, Wis. We have one in development in Vermont, another in development in Clackamas County, Oreg., and we are just beginning development on one in the town of Mabton, in Yakima County, Wash.

Our experience has shown that you can organize residents of rural communities into an effective board structure to govern such a program. You can involve business people. You can involve government people and you can form a strong organization to operate an NHS program. The problem is in the funding. While in an urban community you can raise money from a broad spectrum of businesses for an operating budget of $75,000 to $100,000 a year, you have community development resources of the city government to assist with the revolving loan fund and you have a variety of publicly supported loan programs to draw on, as well as a good infrastructure of banks and savings and loans for conventional lending, much of this is absent in a rural setting.

The operating budget resources in our rural demonstration thus far have been provided by community development block grant resources, by State governments, and by private contributions. All of this has provided a very minimal source of support in contrast to our urban experience. The loan resources have been provided by Farmers Home, by State governments, by private conventional loans, and the revolving loan fund.

We have less than a year of operating experience in the two programs where we have completed development so I can't give you much experience yet; but our projection is that it will cost about $1.2 million for the operating budget and revolving loan fund over the 5-year period it would typically take to reverse decline in a community. A substantial multiple of this would need to be generated in private and public lending. We see the resources as being very limited and are really concerned that if the only resources that can be tapped are public resources, the private vitality which has meant so much to neighborhood housing services will be lacking and rural NHS's will be a bureaucratic, unstable type of operation.

The strength of NHS and, we believe, the strength of the rural counterpart, is that as a mediating structure, NHS has the ability to pull resources from wherever they are, to get the city, county, and State, or town, county, and State, governments working together, to assist small units of government in writing grants and financing them. However, as the other members of the panel have so eloquently stated, at this time the resources are very limited to draw upon in a rural situation.

I would look forward to reporting to you in the future on the progress of our demonstration. It is our hope that if resources can be developed, NHS one day can become the effective mediating structure in rural areas, that it has become in the cities of this country. Thank you very much.

Senator MATTINGLY. Thank you. Are you a private organization?

Mr. WHITESIDE. We are a public corporation chartered by the Congress and substantially supported by congressional appropriations.

Senator MATTINGLY. I have several questions which I'll just submit for the record since we're running out of time.

I'll just shotgun a couple of these to you.

Mr. Wilson, do you have any idea how many of the substandard units are really structurally sound enough to warrant rehabilitation in rural areas?

Mr. WILSON. I can't give you numbers right off the top of my head, but we will attempt to gather some numbers for you and provide them for the record. I think most certainly the incidents of heating substandard units will lend themselves to such rehabilitation.

Senator MATTINGLY. You mean ones that lack heating?

Mr. WILSON. Yes.

Senator MATTINGLY. How about the structure itself?

Mr. WILSON. I think that in terms of many of those units, the structure may well be adequate to support some rehabilitation. Our sense, and the sense that we get from people working in rural communities, is that there are in fact large numbers of units that are amenable to rehabilitation.

Senator MATTINGLY. I thought it was 1.9 million but you said 1.7 million.

Mr. WILSON. There are about 1.9 million substandard units in rural communities right now.

Senator MATTINGLY. Is there any analysis?

Mr. WILSON. We will explore the available data and provide to you whatever numbers are available.

Senator **Mattingly**. OK. I think that would be helpful, especially when we're figuring out how we're going to spend the money.

SEVERE NEED FOR REHABILITATION OF RENTAL PROPERTIES

Ms. Dennis, I know you're going to submit that program for the record, which I appreciate. Is there a severe need for rehabilitation of rental properties in rural areas?

Ms. **Dennis**. Yes, very much so, Mr. Chairman. I would say to you that in Pennsylvania I've traveled to about 300 of our communities. We have over 2,600. And one of the great needs is for female heads of households with children where the income is low and where in the absence of rental units they either have to stay with families or move out to town. So as I travel around the State I've heard that need repeated over and over and it's generally for low-income families that there's a shortage.

Senator **Mattingly**. Is the availability of housing vouchers sufficient to prevent the displacement of some low-income tenants?

Ms. **Dennis**. Not at this time.

Senator **Mattingly**. Do the national model building codes such as the CABO and BOCA provide a standard for rehabilitation?

Ms. **Dennis**. Yes. I think the BOCA code which I understand to be the performance code is very helpful because it can be used in a multiple situation. What we find, though, is at the local level very often the standard codes are resisted which is why we suggested that we use the FHA standard.

Senator **Mattingly**. How do they compare to HUD's?

Ms. **Dennis**. I think they compare very favorably to HUD.

Senator **Mattingly**. Mrs. Macklin, you referred to the Farmers Home Administration staff limitations. Could you identify some of those problems?

Ms. **Macklin**. If I heard you correctly, you refer to the States not being able to take on the staffing?

Senator **Mattingly**. Right.

Ms. **Macklin**. Well, let me go to my experience. I used to be the staff program director on the Residential Finance Authorities and working with other FmHA finance agencies and some DCA's, we found that the expertise and the delivery systems specifically that Farmers Home has economically can't be duplicated, according to many of the politicians, in many of the States.

For example, the Georgia General Assembly had a heated discussion on the idea of taking more of the block grant programs and what staff capabilities they had and what increase in budget would have to be comparable to that in order to handle those jobs. So this is an interaction and discussion we hear from other southern States as well as the Authority.

FMHA COULD BE BETTER TARGETED

Senator **Mattingly**. The committee is concerned that the Farmers Home Administration programs could be better targeted to the poorest households in rural America. I think that's what everybody is here for. You had also called for increased targeting in your testimony.

How would the National Rural Housing Coalition propose a better targeting of the Farmers Home Administration housing funds?

Ms. MACKLIN. Better targeting? As Mr. Wilson mentioned also, to lower income families, the targeting process I'm sure would have to be developed, but the discussion throughout the membership would be that one specific program that we have, the preservation program, would be a starting point to target it down to the most needy families in the rural communities.

Senator MATTINGLY. I think you're precisely correct, Mr. Wilson, when you made the comment that you still have got this group that's not being impacted.

How do we restructure this program so that we do impact them. We've got to find out if those units can be rehabilitated and how you narrow that focus of the Government's responsibility to accomplish those needs. That's not milarkey, but it doesn't address what we're really trying to look at.

Mr. WILSON. I would like to respond to the targeting issue very briefly if I could, Mr. Chairman.

I think that if the Farmers Home attempted to be a little more conscientious about its own mandate to target that they could in fact presently serve a lower income clientele with their existing programs.

Senator MATTINGLY. Not without direction, though.

Mr. WILSON. Well, they have direction that says they need to provide 30 percent of their resources to families who are below 50 percent of median income. One obvious way they could do that is by using all of the money Congress authorized and appropriated to serve those income levels.

I mentioned in my testimony that it's unconscionable to me that the Farmers Home Administration did not use all of its section 504 grant money last year. Mr. Chairman, when those people administering a program can't give grant money away for rehabilitation to elderly families, then there's something wrong.

Senator MATTINGLY. Why wasn't it used?

Mr. WILSON. I think they have not emphasized the program. The word has not come down from the Administrator to the county officials to utilize this program because, there is a crunch on the staff.

Senator MATTINGLY. Maybe we ought to put a tagline on the $175 million expenditure for advertising.

Mr. WILSON. Another very brief item in the area of rehabilitation. The Farmers Home Administration is currently insisting on MPS as guidelines for rehabilitation. We have had some conversations with the agency, and they have agreed to shift to the HUD rehabilitation guidelines, which are less stringent than the MPS. However, to date they haven't published anything to accomplish that.

Senator MATTINGLY. Where Mrs. Macklin and I are from the complaint is not that the FmHA is not addressing the housing needs, but that they are not addressing the farming needs now. They're spending too much time on home loans. So sometimes you sink either direction.

Irrespective of what they are doing, we have to narrow that focus here.

Ms. DENNIS. Mr. Chairman, could I just add in targeting I think the role of community organizations working with government is crucial. I think that you simply will never get the outreach to very poor people without involvement of local community leaders and I think that when you consider how to refocus the Farmers Home program so that it reaches these very low income people it will require more involvement by local government officials who have that responsibility to those constituents, but also I think it will involve drawing in a leadership responsibility community organizations.

Senator MATTINGLY. I think you're right. Having been here 2 years and 3 months, I know that there's a lot of folly in targeting or directing things. In the Senate last night a proposal came over from the House of Representatives to target the jobs program, where they were going to focus military housing and narrow it down to 8,500 different sectors in the United States. Now there's no way they could figure out 8,500 different sectors, so they wrote something into the legislation that said that if it's not accomplished in 30 days we'll go back to the way we were going to do it in the beginning. So if we're going to do it, we ought to do it right. I appreciate your testimony today and feel free to come before this committee or feel free to come to me in my office or any of our staff because we will need as much information as we can get.

Thank you all very much.

The final panel consists of Mr. Thomas Runquist, Mr. Jerry Connors, and Mr. Ernest Coleman.

If you could summarize your statements, then we can get to the questions.

STATEMENT OF THOMAS R. RUNQUIST, TREASURER, COUNCIL FOR RURAL HOUSING AND DEVELOPMENT, WASHINGTON, D.C.

Mr. RUNQUIST. My name is Thomas R. Runquist. I'm chairman of the First Centrum Corp. of East Lansing, Mich., and treasurer of the Council for Rural Housing and Development, on whose behalf I appear today. I am accompanied by Charles L. Edson of Lane & Edson, P.C., Washington, D.C., counsel to our organization.

At this point I'd like to summarize the majority of my testimony and submit it for the record. I would like to emphasize just a couple points.

Of particular note, we think that of all of the Federal programs, as demonstrated statistically, that section 515 does in fact target its assistance to those who need it the most.

SECTION 515 PROJECT

In 1979 a Farmers Home Administration survey showed that nearly 85 percent of the occupants of section 515 projects had incomes of under $9,000 and, of course, a good portion of this is due to the fact that rental assistance was available on those units.

Another point I'd like to bring out is that the section 515 is a very cost efficient program, in 1981 the cost for a section 515 assisted unit was $29,314 compared with over $40,000 for a unit assisted under the section 8 program.

Senator MATTINGLY. Repeat that. What did you say again?

Mr. RUNQUIST. For 1981 the cost of a section 515 assisted unit was $29,314 per unit compared with over $40,000 for a unit assisted under section 8.

Senator MATTINGLY. All right.

Mr. RUNQUIST. We also are at a loss to understand the figures set forth in your March 15 letter of $7,600 annual cost for a section 515 project of rental assistance. We are informed that for fiscal year 1983 the total annual cost for section 515 rental assistance unit is only $4,637.

Another point, particularly in light of the economic situation today, the delinquency rate of a section 515 program is roughly 5 percent. Defaults are virtually nonexistent, a record unmatched by any other housing program.

In addition, section 515 results in community development. The concentration of people in rental units mean less Federal, State and local tax dollars spent on streets and local construction and maintenance, sewer and water system construction, as well as on public school transportation. Also, money spent on section 515 creates a community asset that lasts for many years as opposed to one-shot assistance under most social service programs. Although there may be a turnover of tenants in a rental project, the apartment itself continues as a resource for low-income tenants for at least 20 years.

Regarding block grants, we wish to strongly recommend continuation of adequate level of funding for the section 515 program. At a minimum, we recommend the authorization of $940 million, the same level as last year. Of course, we would like to see some increase to meet such inflation that has occurred, however, we are also fully aware of budgetary stringencies under which we are operating.

LEVEL OF $450 MILLION FOR RENTAL ASSISTANCE

In addition, we strongly recommend a level of $450 million for rental assistance contracts so that section 515 units can be rented to the very lowest income families. We also vigorously oppose the administration's proposal to end the section 502 and 515 programs and replace them with a block grant.

In light of your view, Mr. Chairman, that this dog ain't going to hunt, we feel that we should——

Senator MATTINGLY. Isn't.

Mr. RUNQUIST. We think at this point we'll take our tricks and run and very quickly summarize our position on the block grants.

One, we would like to emphasize that under the scenario of the States administering the block grant, we estimate that in 1983, instead of 28,300 units, there would be 9,600 units—a considerable drop.

Two, that we find it very difficult to understand why we would want to move a successful rural program from the rural communities to urban centers which we'd be doing by moving to State finance housing agencies.

We also see no sense in moving a successful program from an experienced administration to at least 50 agencies with very limited experience in administering rural programs. In Georgia that would certainly be the case where the housing agency there has a relatively inactive multifamily program.

In response to the specific questions set forth in your letter concerning possible program changes, let me first say that I can only speak as an individual, as the board of the Council for Rural Housing and Development has not had an opportunity to formulate an organizational policy on the matters you set forth.

Concerning minimum property standards, as your letter indicates, HUD has recently withdrawn the requirement for a national minimum property standards in favor of local property standards that are in conformity with nationally recognized building code. Personally, I think that there should be standards to which a section 515 project must be subjected. If there is an adequate local code, then that should suffice. The problem is that in many rural areas, there are not applicable codes. In such case, I believe that the HUD MPS should still remain in effect. This does not mean that I approve of every aspect of the HUD MPS now in force. There are undoubtedly certain savings that can be made in such nonessential factors as counter space in kitchens. Accordingly, if Farmers Home still retains the applicability of the HUD MPS either on a national basis or in the absence of an adequate local code, then the present MPS should be thoroughly examined for possible savings within its framework.

CHANGES IN SECTION 515

Addressing the other changes to section 515 set forth in your letter, we have the following views:

First, concerning the downpayment requirement, Farmers Home now requires a 5-percent cash downpayment, plus an additional 2 percent for a working capital reserve. Let me emphasize that this is cash up front. Under the HUD programs, a 10-percent equity is a requirement, but this is generally met by the builders and sponsors profits and risk allowance, known as BSPRA, a noncash fee which the builder "leaves in the deal." Accordingly, there is already a rigorous downpayment requirement in the section 515 program.

Concerning further limitation on profit margins, the current limitation is now an 8-percent return on equity in the project. As you are aware, Triple-A corporate bonds produce a far higher yield. Accordingly, I see no justification for reducing the 8-percent return even further.

Concerning unit size reduction, present section 515 regulations do prescribe minimum and maximum unit size. For example, a four bedroom unit cannot exceed 1,200 square feet. We believe that these are realistic limitations. Any further decrease in unit size could create unmarketable units and a false economy. Accordingly, we believe that the present ranges should be retained. Currently, developers have every incentive to economize so as to keep project rents low, and we feel that this market constraint is the best protection to assure that units will be kept as small as the market allows.

Concerning Davis-Bacon, it is not now applicable to section 515 unless there is also a section 8 new construction subsidy. With the demise of the section 8 program, section 515 will not be subject to Davis-Bacon.

Finally, Mr. Chairman, we wish to thank you for the concern that you have in rural issues and the sympathetic understanding that you have given us. It is a pleasure for us to have this opportunity to be with you today.

[Complete statement follows:]

Testimony of Thomas R. Runquist, Treasurer, Council for Rural Housing and Development

My name is Thomas R. Runquist. I am Chairman of the First Centrum Corporation of East Lansing, Michigan, and Treasurer of the Council for Rural Housing and Development, on whose behalf I appear today. I am accompanied by Charles L. Edson of Lane and Edson, P.C., Washington, D.C., Counsel to our organization.

As a matter of background, the Council is composed of over 100 member organizations from all sections of the country who are active developers under the Section 515 program. Although we have been in existence just a little over two years, we have been quite active in both the legislative process and in working closely with Farmers Home to assure workable regulations and procedures.

I am here today to testify on behalf of an authorization of $940 million for the Section 515 program for fiscal year 1984, and in opposition to the block grant proposal forwarded in the Administration's fiscal year 1984 budget. I will set forth the reasons for our stance in the latter part of this testimony, but first, I would like to discuss housing needs in rural America and why the Section 515 program makes such a contribution to them.

RURAL HOUSING NEEDS

Although you may be generally familiar with rural housing needs, a few salient facts bring into sharp focus the housing needs of rural America.

Family income in non-metro areas, although growing, still lags significantly behind such income in metropolitan areas ($18,069 vs. $22,590). Although rural areas have only 26.7 percent of the nation's population, they have 38.4 percent of those in poverty.

In non-metro areas, 36 percent of renters who occupy adequate housing spend more than 30 percent of their income to do so. For very low income house renters, those below 50 percent of median, 78 percent of the renters occupying adequate housing have such affordability problems. Nonmetro houses are twice as likely to have kitchen and heating defects, three times as likely to have plumbing defects, and ten times as likely to have inadequate sewage systems than homes located in metropolitan areas.

Although housing needs are greatest in rural America, the supply of credit to meet such needs is far less. A study found that in 1975 banks and savings and loan associations in large metropolitan areas has assets of $8,800 per capita—more than twice the $3,400 per capital in rural and non-metro counties. In that same year, the savings and loans had deposits of $2,000 in capital in the larger metro counties, compared with only $70 per capita in totally rural, non-metro counties, and $1.110 per capita in nonmetro counties.

It is this mismatch of high need and low resources to meet this need that impelled Congress in the Housing Act of 1949 to establish the Farmers Home Section 502 home ownership program, and Section 515 rental housing program. We who work actively on the Section 515 program are proud of that program's record in meeting the needs of rural American renters. Since its 1949 inception, over 225,000 units of housing have been built. Of all the federal programs, Section 515 targets its assistance to those who need it most. A 1979 FmHA survey showed that nearly 85 percent of the occupants of Section 515 projects had incomes under $9,000.

Section 515 is a cost efficient program. For Fiscal Year 1981, the cost of a Section 515 assisted unit was $29,314 compared with over $40,000 for a unit assisted under the Section 8 program. (Accordingly, we are at a loss to understand the figure set forth in your March 15 letter of a $7,506 annual cost for a Section 515 project with Rural Rental Assistance. We are informed that for fiscal year 1983, the total annual cost for a Section 515 RAP unit is only $4,637.14.)

The delinquency rate of the Section 515 program is roughly 5 percent, and defaults are virtually nonexistent—a record unmatched by any other housing program.

In addition, Section 515 results in good community development. The concentration of people in rental units can mean less federal, state and local tax dollars spent on streets and road construction and maintenance, sewer and water system construction, as well as public school transportation. Also, money spent on Section 515 creates a community asset that lasts for many years, as opposed to one-shot assistance under most social service programs. Although there may be a turnover of tenants in a rental project, the apartment itself continues as a resource for low income tenants for at least twenty years.

SPECIFIC RECOMMENDATIONS

With this background in mind, we wish to strongly recommend the continuation of an adequate level of funding for the Section 515 program. At a minimum, we recommend the authorization of $940 million, the same level as last year. Of course, we would like to see some increase to meet such inflation that has occurred; however, we are also fully aware of the budgetary stringencies under which we are operating.

In addition, we strongly recommend a level of $450,000,000 for rental assistance contracts so that Section 515 units can be rented to the very lowest income families.

We also vigorously oppose the Administration's proposal to end the Section 502 and 515 programs and replace them with a block grant for the following reasons:

Virtually eliminates direct lending: The block grant proposal terminates virtually the only available housing credit for the rural areas of this country. Congress established the Farmers Home Administration housing programs in 1949 because of the dearth of credit in rural America. As before stressed, the situation has not changed dramatically since that time.

Significantly, nothing in the Administration's proposal would require a state to utilize its block grant funds for direct loans for housing. If, in fact, a state agency determined to use its small allocation for direct housing loans, then the number of loans that it could make would be very small because of the cost necessary to write a loan down to the 1 percent figure obtained by Farmers Home. (Such a write-down of principal would be essential to achieve the 1 percent rate, as there could not be a long-term commitment for annual interest subsidy under the block grant mechanism because of the one-year only funding of such grants.) It is estimated, for example, that instead of the 28,300 loans funded under Section 515 in fiscal year 1983, under a block grant the state agencies could only fund about 9,600 units, or on the average less than 190 per state. As attachment A shows, this would result in a severe reduction for virtually all rural states. This calculation is on the optimistic assumption that such agencies utilize their block grant funds for direct lending purposes only. Accordingly, block grants replace a smoothly functioning credit mechanism with no credit at all.

Removes Government from those served: Block grants would remove government further from those helped, creating an administrative burden in the delivery of rural housing. Funds would be administered by a state agency, either the agency administrating the community development small cities program or the state housing finance agency. Generally, those agencies have only one office located in the state capital. FmHA, on the other hand, has district offices located throughout the state for its multifamily program, and offices located in each county to make loans for the single family program. Accordingly, the block grant program would have the ironic effect of removing a government function further from the people that it serves.

Creates administrative inefficiency: Block grants replace an agency with a track record of efficient response to the needs of the rural community by fifty agencies that would be developing a program from scratch. Compared with FmHA, the states generally have had far less experience in providing low income housing in rural areas. State housing agencies have proven a positive force in the past decade in enhancing housing opportunities for many Americans. Indeed, several state housing finance agencies have admirable records in financing rural housing; however, many state agencies have concentrated on larger loans in urban areas and a significant number of states do not have housing finance agencies that make loans for multifamily products. Further, the Mortgage Subsidy Bond Tax Act of 1980 imposes severe limitations on the ability of state agencies to provide funds for single family programs. Accordingly, there is just no mechanism in place that could do the lending FmHA does.

FmHA processes with a minimum of red tape and delay, and with a maximum of understanding rural problems. It is devoting considerable effort to improve this already enviable record. If Farmers Home is dismantled, a whole new administrative framework would have to be set up to do the same thing, a costly and time consuming procedure. Meanwhile, rural housing development would come to a quick stop.

The block grant concept is opposed by all major groups primarily concerned with rural housing, such as those that represent private developers working in rural areas, non profit and public providers of rural housing and most significantly, tenant groups and consumer organizations. Unanimity among these diverse entities is rarely obtained, again highlighting the unsound nature of the block grant proposal.

In light of these views, we wish to commend the banking committee for its letter to the Budget Committee supporting the continuation of the programs under its jurisdiction, including the rural programs, at the FY'83 level. As before stressed, we would perfer a little bit more generous authorization—at the cumulative $3.8 billion level for the rural housing programs—but we are most grateful for the stance that you have taken regarding both the funding and the continuation of these vital programs.

PROGRAM IMPROVEMENT

In response to the specific questions set forth in your letter concerning possible program changes, let me first say that I can only speak as an individual, as the Board of the Council for Rural Housing and Development has not had the opportunity to formulate organizational policy on the matters you set forth.

Concerning minimum property standards, as your letter indicates, HUD has recently withdrawn the requirement for national minimum property standards in favor of local property standards that are in conformity with nationally recognized building codes. Personally, I think that there should be standards to which a Section 515 project must be subjected. If there is an adequate local code, then that should suffice. The problem is that in many rural areas, there are not applicable codes. In such case, I believe that the HUD MPS should still remain in effect. This does not mean that I approve of every aspect of the HUD MPS now enforced. There are undoubtedly certain savings that can be made in such non-essential factors (i.e., counter size in kitchens) that could be eliminated. Accordingly, if FmHA still retains the applicability of the HUD MPS either on a national basis, or in the absence of an adequate local code, then the present MPS should be thoroughly examined for possible savings within its framework.

Addressing the other changes to Section 515 set forth in your letter, we have the following views:

First, concerning the down payment requirement. Farmers Home now requires a 5 percent cash down payment, plus an additional 2 percent for a working capital reserve. Let me emphasize that this is cash up front. Under the HUD programs, a ten percent equity is a requirement, but this is generally met by the Builders and Sponsors Profits and Risk Allowance (BSPRA), a non-cash fee which the builder "leaves in the deal." Accordingly, there is already a rigorous down payment requirement in the Section 515 program.

Concerning further limitation on profit margins, the current limitation is now an 8 percent return on equity in the project. As you are aware, Triple-A corporate bonds produce a far higher yield. Accordingly, I see no justification for reducing the 8 percent return even further.

Concerning unit size reduction, present Section 515 regulations do prescribe minimum and maximum unit size. For example, a four bedroom unit cannot exceed 1,200 square feet. We believe that these are realistic limitations. Any further decrease in unit size could create unmarketable units and a false economy. Accordingly, we believe that the present ranges should be retained. Currently, developers have every incentive to economize so as to keep project rents low, and we feel that this market constraint is the best protection to assure that units will be kept as small as the market allows.

Concerning Davis-Bacon, it is not now applicable to Section 515 unless there is also a Section 8 new construction subsidy. With the demise of the Section 8 program, Section 515 will not be subject to Davis-Bacon.

Certainly, Section 515, like any other program, can be improved. We are very impressed with some of the suggestions that have been forwarded by the Rural Housing Coalition, of which we are a proud member. They include the use of Section 502 units as Section 515 rental units, the conversion of large, single family residences into rental units, the use of detached units for cooperative housing, and the rehabilitation of existing housing for use as Section 515 rental units. Our only caveat concerning rehabilitation is that there is very little stock available in rural areas, thus making new construction a necessity in most eligible areas.

Finally, Mr. Chairman, we wish to thank you for the concern that you have in rural issues and the sympathetic understanding that you have given us. It is a pleasure for us to have this opportunity to be with you today.

ATTACHMENT A

SECTION 515 OBLIGATIONS FISCAL YEAR 1982

State	Obligated dollars (thousands)	Approximate number of units $30,000[1]
Alabama	27,164	900
Alaska	3,028	100
Arizona	5,788	190
Arkansas	20,768	690
California	51,659	1,720
Colorado	12,698	420
Connecticut	5,572	190
Delaware	1,441	50
Florida	31,401	1,050
Georgia	42,018	1,400
Hawaii	0	0
Idaho	102	0
Illinois	18,978	630
Indiana	26,982	900
Iowa	13,000	430
Kansas	12,312	410
Kentucky	39,589	1,320
Louisiana	42,108	1,400
Maine	22,824	760
Maryland	23,315	780
Massachusetts	2,745	90
Michigan	31,447	1,050
Minnesota	25,706	860
Mississippi	22,477	750
Missouri	29,253	980
Montana	9,372	310
Nebraska	4,345	140
Nevada	4,048	130
New Hampshire	7,008	230
New Jersey	10,260	340
New Mexico	7,985	270
New York	43,387	1,450
North Carolina	53,420	1,780
North Dakota	7,163	240
Oklahoma	24,681	820
Oregon	6,863	230
Ohio	11,668	390
Pennsylvania	24,346	810
Rhode Island	861	30
South Carolina	38,915	1,300
South Dakota	1,867	60
Tennessee	37,655	1,290
Texas	46,955	1,570
Utah	6,600	220
Vermont	2,290	80
Virginia	27,000	900
Washington	11,059	370
West Virginia	30,863	1,030
Wisconsin	11,522	380
Wyoming	6,293	210
Puerto Rico	3,006	100
Virgin Islands	2,267	80

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[1] Rounded to nearest 10.

Senator MATTINGLY. Thank you. We have a vote coming within about 15 minutes now.

STATEMENT OF ERNEST R. COLEMAN, REPRESENTING NATIONAL ASSOCIATION OF HOMEBUILDERS, CHAIRMAN, RURAL HOUSING COMMITTEE, FORT SMITH, ARK.

[Complete statement follows:]

STATEMENT OF
THE NATIONAL ASSOCIATION OF HOME BUILDERS (NAHB)
before the
RURAL HOUSING AND DEVELOPMENT SUBCOMMITTEE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE
on
FARMERS HOME ADMINISTRATION HOUSING PROGRAMS
MARCH 23, 1983

Mr. Chairman and Members of the Subcommittee:

My name is Ernest R. Coleman and I am a homebuilder from Fort Smith, Arkansas. I am testifying on behalf of the more than 105,000 members of the National Association of Home Builders (NAHB). NAHB is a trade association of the nation's homebuilding industry, and I am Chairman of the NAHB Rural Committee. I build approximately 350 homes a year including both FmHA Sections 502 and 515 rural housing programs in both Arkansas and Oklahoma. Accompanying me today are Jim Schuyler, Staff Vice President and Legislative Counsel and Patricia Economos, Assistant for House Liaison. I am pleased to be here to testify on the FY'84 authorization for the Farmers Home Administration's legislation for housing programs.

It is a privilege to appear before you, Mr. Chairman, and this Subcommittee. I welcome both your addition to the Senate Banking Committee and your appointment as Chairman of the Rural Housing and Development Subcommittee. Georgia is a highly visible rural area and had the second highest activity level in the nation in Farmers Home subsidized loans made in FY'82.

The conditions which in 1949 gave rise to the authorization by Congress for the Farmers Home Administration (FmHA) to make housing loans still exist today. But we believe that the commitment of this Administration to the future of these programs is in serious doubt.

Mr. Chairman, we had over 200 rural builders in Washington last week representing over 15,000 builders across the United States who build in rural counties. They were here to support the continuation of rural housing programs at FY'83 levels and to oppose the Administration's proposed rural housing block grant (S.761).

In the letter of invitation to this hearing, Mr. Chairman, you asked specific questions on making housing programs more efficient. Later in my statement I will suggest recommendations that we believe could improve the programs and make the housing built under FmHA more affordable. But in all honesty, Mr. Chairman, if this Committee is seriously considering sizeable reductions in Farmers Home programs as proposed by the Administration, recommending improvements in these programs is not our highest priority.

OUTLOOK FOR GOVERNMENT ASSISTED HOUSING PROGRAMS

I would like to review for you the outlook for government assisted housing programs. If the housing industry is to continue to be the "bright" spot in the economic recovery, now is certainly not the time to eliminate rural housing programs.

HUD-assisted housing which represented 4.2% of the federal budget in FY'80 would slip to a 0.1% share in FY'84. Total Farmers Home funding would be cut by two-thirds with individual program cuts of over 98 percent in some areas and eliminated in other instances.

In fact, Mr. Chairman, our Economics Division has projected that government assisted production of all types will be down by 50% from 1982 to 1983. It is expected to drop from 191,700 starts to 98,400 starts in FY'83. And most of that limited activity in 1983 will be under rural housing programs (see Chart I).

FmHA RURAL HOUSING PROGRAM VOLUME

Let's look at the Farmers Home record. Over 1.7 million loans totalling over $30.5 billion have been made for individual housing loans since 1949. Over 15,500 loans totalling over $6 billion have been for rural rental housing. Most of the expansion in the program has been in the last five years. Between 1977 and 1982 FmHA made 50 percent of the total volume of these loans. Despite these achievements, a strong commitment to rural housing remains essential. While rural areas have only 33 percent of the population, they have almost 40 percent of the substandard housing.

Mr. Chairman, Chart II attached to my statement, shows housing loans and obligations under the FmHA. In terms of new housing loans in the United States, the South has had the largest share in the last three years. The next largest region for FmHA activity is in the Midwestern Farmbelt area.

There were 11 states with volumes of 2,000 to 2,700 subsidized FmHA units in FY'82. They can generally be characterized as states with significant farm and small town, non-SMSA populations. While North Carolina is the state with the largest Farmers Home loan activity, Georgia is second, Mr. Chairman, with a volume of almost 2,740 subsidized loans.

RURAL HOUSING BLOCK GRANT

Mr. Chairman, the Administration's proposal to consolidate rural housing programs into an $850 million block grant would reduce rural housing programs by two-thirds from $3.4 billion in FY'83 to $1.2 billion in FY'84.

The 502 single family interest credit program would be cut by 88 percent from $2.3 billion in FY'83 to $280 million in FY'84; the 515 rural rental program by 98 percent from $940 million to $16 million and the rural rental assistance program by almost 50 percent from $123.7 million to $62 million. And if the rural rental assistance program is compared to FY'82 levels of $398 million, the cut is 84 percent. The Administration is simply budgeting for these programs to provide housing assistance if some states are not prepared to accept the block grant at the beginning of the fiscal year.

The following table emphasizes these cuts and the number of units lost by breaking the partnership between the private home builder and the federal government:

RURAL HOUSING PROGRAM CUTS

	FY'83 ESTIMATE	FY'84 BUDGET	PERCENT CHANGE '84 over '83
Section 502 Single-Family Low Income	$2.3 billion 54,445 units 33,800 new	$280 million 2,600 units 1,000 new	-87.8% -95.2% -97.0%
Section 502 Moderate	$ 29 million 745 units 238 new	- 0 -	-100% -100%
Section 515 Rental	$940 million 28,300 new	$ 16 million - 0 -	- 98.3% -100%
Rural Rental Assistance	$123.7 million (11,750 units) 4,750 new	$ 62 million (6,000 units) - 0 -	- 49.9% - 48.9% -100%
Block Grant	--	$850 million*	--
TOTAL NEW CONSTRUCTION	62,338 new units	1,000 new units	- 98.4%
TOTAL FmHA HOUSING PROGRAMS	$3.4 billion 92,730 units	$ 1.2 billion 3,038 units*	- 64.7% - 96.7%

* Because of the varied uses of the block grant, it is not possible to estimate new units.

Problems with the Block Grant

There are a number of problems with the block grant as envisioned by the Administration in addition to the unrealistic funding level.

First, the $850 million for the block grant is appropriated at the same level for five years. No increment has been provided for the outyears to account for inflation or for renewing existing contracts.

Second, the block grant is a multipurpose grant with new construction lost in the myriad of uses that are enumerated in the legislation. The grant could be used for the benefit of low income persons for the acquisition, alteration, repair, construction, improvement or conversion of structures for dwellings. It can be used to refinance indebtedness and to provide for temporary housing costs.

Third, the cost of reports necessary to receive the block grant and the financial and compliance audits needed to justify the funds are extensive.

In addition, Mr. Chairman, such a completely new housing system would take time to start up. State Housing Finance Agencies have not generally focused their activities in rural areas. The agencies suggested by the Administration to administer the program do not have the capacity in many states to do this in any reasonable period of time.

I also don't believe, Mr. Chairman, that the states would be able to leverage the money for the block grant as asserted by the Administration to equal existing housing programs. A recent General Accounting Office study notes that only $1 of non-federal funds are generally obtained for each $9 of federal housing block grant funds.

State by State Loss

Mr. Chairman, last year 42 Senators supported an amendment which would have deleted the block grant program from the FY'83 housing authorization bill. The Governors who recently met in Washington are also against this proposal. One reason for this opposition is because of the severe loss of funds to the states if the block grant is implemented. I have attached a chart compiled by the Housing Assistance Council, who already testified here today, which shows a comparison of allocations of money by state in FY'82 to the rural housing block grant as proposed for FY'84. There is no state that gains by this proposal. Some lose more than others.

In your own state of Georgia, Mr. Chairman, the estimated allocation of funds goes from almost $145 million in FY'82 to $41 million under the Administration's FY'84 budget proposal.

NEW CONSTRUCTION

Mr. Chairman, NAHB strongly supports funding for rural housing programs at the FY'83 funding levels. To maximize the effectiveness of these funds, we believe that 75 percent should be allocated for new construction. In addition, a sufficient amount of rural rental assistance should be provided to make the 515 program feasible.

As you are aware, there is a tremendous ripple effect involved in the construction of new housing. 65,000 units of new FmHA housing will generate $370 million in federal income taxes alone. For every 100 units of FmHA new construction, the equivalent of 80 full-time jobs are created.

Under the FY'84 budget, only 2,600 units of housing are provided for the 502 program which is less than one unit of housing per rural county in the United States. Mr. Chairman, it is important to note that the Farmers Home single family program is a limited assistance program. As the borrower's income goes up the assistance is reduced. When the home is sold, the federal government recaptures the assistance.

New construction, Mr. Chairman, is more than a house on a lot. The ripple effect of housing is extensive. The suppliers and material production industries including timber and cement making plants benefit from housing production. After the home is built, the furniture, carpet, paint and appliance manufacturers similarly benefit.

RECOMMENDATIONS CONCERNING FmHA PROGRAMS

Mr. Chairman, I am not going to say here today that the Farmers Home Administration is perfect. There are problems in some local offices, monies need to be obligated more quickly nationwide and delinquencies need to be lowered.

At this time, I would like to make a suggestion to ease the burdens placed on county and district staffs in processing loans. One approach would be to delegate as much work as possible to private professionals on a fee basis. Paying qualified professionals could speed up the processing and give FmHA employees an opportunity to concentrate on those areas that the private sector cannot adequately handle. This "privatization" could be done without additional outlays on a fee basis, and would allow packagers to do all the paperwork. This would be of particular assistance so that states would use all allocated funds by processing loans on a timely basis.

I would also like to take the opportunity to stress the importance of the FmHA delivery system. The Farmers Home Administration has been a viable vehicle for housing rural people and the rural county offices of the FmHA have been more responsive to the housing needs of rural America than any other government agency.

They have a delivery system that has over 2,000 offices servicing 3,000 rural counties. And considering that over one-half of all rural counties do not have private lenders, the FmHA's direct lending authority is the only source of credit in these communities.

In response to your inquiry on better serving low income families and reducing the cost of production, I would like to emphasize that the construction of rental housing is a very viable program for low income people. Construction costs would be less and the federal government would have fewer problems managing this housing because they already have experts in the field. Delinquency rates nationwide are also substantially lower for multifamily housing than single family housing.

I would also like to point out, Mr. Chairman, that the FmHA minimum property standards cause considerable added cost to rural housing. NAHB supports the Administration's efforts to decrease reliance on the HUD Minimum Property Standards (MPS) in light of the evolution and acceptance of many local jurisdictions of the nationally recognized model codes. The MPS served a useful purpose in upgrading the nation's stock over the past fifty years. However, in the past 25 years, the marketability and livability features that the MPS were created to ensure have come to be demanded by housing consumers. In addition, the various nationally recognized model building codes provide the necessary quality and safety in design and construction to meet the needs of today's housing consumers.

NAHB supported HUD's efforts last year to revise the MPS for One and Two Family Dwellings by deleting marketability and livability criteria in favor of the Council of American Building Officials (CABO) Model Code. In addition, NAHB is planning to present formal comments to HUD on its recently published proposal to revise the MPS for multifamily construction in the same manner.

We would urge that FmHA work with HUD to decrease reliance on minimum property standards for the Farmers Home programs.

We urge HUD and the Farmers Home Administration to totally phase-out the MPS for both single and multifamily housing and depend entirely on the locally adopted codes which are adequately enforced and consistent with one of the nationally recognized model codes. There no longer remains a justification for an additional layer of standards or federal enforcement.

We would urge this Subcommittee to consider this concept, which was recommended by the President's Commission on Housing, the Vice President's Task Force on Regulatory Reform and the National Institute of Building Sciences.

And finally, Mr. Chairman, I would like to respond to the Committee's suggestion that a front-end grant might better serve low income people. A grant to bring down the cost of homes with conventional financing was suggested as a possibility.

There are a number of reasons why I don't think this approach is workable.

First, under a grant program the developer would be discouraged from participation in the program. In addition, some communities which have a demonstrated need for housing may not choose to apply for funding due to their inability to manage a complex local housing program.

Second, while the goal is to reach the low income homebuyer, monthly mortgage payments would be much higher under this concept. The homebuyer would also need a higher income to quality for the house.

In a $39,000 FmHA house with the interest credit as low as 3 percent, which is the FmHA average, the monthly payment for the homebuyer is $164.43 (principal, interest, taxes and insurance) and the income he needs to afford the home is $11,520.

If the $39,000 house was bought down by a $10,000 upfront grant to $29,000 and then financed conventionally at the FHA rate of 12 percent the monthly payment would be $398 and the income needed to afford the home would be $22,752. Most rural people would still not be able to afford the home even with the upfront grant.

CONCLUSION

Mr. Chairman, our Association strongly believes that the Farmers Home programs are the only housing programs that can bring housing opportunity to rural America.

The current FmHA programs provide for an effective mortgage delivery system for new residential construction. Their effective delivery system is critical to provide needed accessibility to credit.

We urge Congress to reject the Administration's proposal which would dismantle our rural housing credit and housing delivery system and provide for funding for FmHA housing programs at FY'83 levels.

Thank you for this opportunity to present our views. I will be happy to respond to any questions.

Chart I

FEDERALLY SUBSIDIZED HOUSING STARTS
1982-1983

Program	1982	1983
FHA Multifamily	21,000	26,000
Section 8 and Public Housing	95,000	5,500
Section 235	10,700	2,000
Farmers Home	65,000	65,000
	191,700	98,400

CHART II

TOTAL LOANS AND OBLIGATIONS UNDER FARMERS HOME ADMINISTRATION INSURED LOW TO MODERATE INCOME HOUSING PROGRAMS, FISCAL YEARS 1980-1982
(in thousands of dollars)

	Fiscal Year 1980				Fiscal Year 1981				Fiscal Year 1982			
	Total Subsidized		Total Nonsubsidized		Total Subsidized		Total Nonsubsidized		Total Subsidized		Total Nonsubsidized	
	Total Loans	Total Obligations	Total Loans	Total Obligations	Total Loans	Total Obligations	Total Loans	Total Obligations	Total Loans	Total Obligations	Total Loans	Total Obligations
NORTHEAST												
Connecticut	450	$ 15,566	130	$ 4,044	488	$ 19,049	38	$ 1,144	665	$ 30,227	51	$ 1,493
Maine	1,630	38,831	315	5,662	1,307	34,746	159	2,403	1,554	48,869	129	2,079
Massachusetts	923	28,583	234	6,192	812	28,804	165	3,623	866	33,024	124	3,590
New Hampshire	569	17,932	210	4,149	530	18,840	124	2,037	706	27,455	93	1,511
New Jersey	1,150	35,265	286	6,081	818	25,596	116	2,470	850	27,316	107	2,753
New York	2,006	51,407	938	16,426	1,642	41,292	639	6,653	1,257	30,821	223	2,067
Pennsylvania	2,019	66,642	1,032	25,601	1,937	68,421	424	8,421	2,194	80,088	272	4,646
Rhode Island	222	8,649	26	922	194	7,630	8	269	221	9,753	12	483
Vermont	824	24,786	226	3,250	723	24,037	98	853	782	28,440	133	2,180
Total	9,793	$ 287,661	3,397	$ 72,327	8,451	$ 268,415	1,569	$ 27,873	9,095	$ 315,993	1,144	$ 20,804
SOUTH												
Alabama	2,184	$ 55,610	790	$ 19,312	1,625	$ 42,964	334	$ 7,027	962	2[illegible],936	165	$ 3,336
Arkansas	2,504	66,150	733	15,025	2,071	57,738	386	6,109	1,877	50,313	387	6,186
Delaware	171	4,468	53	929	178	5,588	35	741	150	4,090	23	317
Florida	1,943	52,510	598	15,595	2,040	60,065	343	8,449	1,884	38,159	270	6,765
Georgia	2,564	69,341	1,004	24,546	2,694	78,044	417	9,178	2,739	84,521	250	5,897
Kentucky	2,761	75,449	927	20,679	2,589	79,629	306	5,726	2,378	78,368	214	3,671
Louisiana	2,588	86,629	532	15,341	2,794	102,904	290	7,868	2,222	85,184	137	3,427
Maryland	835	26,940	345	9,918	721	24,447	72	1,708	577	18,982	57	1,087
Mississippi	3,144	84,919	1,000	25,072	3,076	86,471	549	12,054	2,348	66,397	440	9,530
North Carolina	4,390	118,893	1,784	39,712	5,319	158,939	833	16,793	4,786	150,153	609	10,853
Oklahoma	2,197	57,360	823	16,847	1,992	58,156	481	9,058	1,383	67,871	405	10,884
South Carolina	1,907	55,118	565	14,462	1,973	60,154	217	4,924	1,832	58,976	180	3,644
Tennessee	2,498	62,180	1,017	23,777	2,998	81,629	617	13,534	2,620	74,220	391	7,913
Texas	2,150	63,650	1,099	28,296	2,225	70,283	531	13,090	2,256	73,772	506	13,739
Virginia	2,376	56,155	675	13,752	2,219	57,020	290	5,236	1,768	38,961	189	2,970
West Virginia	1,271	33,252	495	10,240	1,291	38,515	198	3,362	1,010	32,242	152	3,173
Total	35,483	$ 968,624	12,440	$ 293,503	35,805	$1,062,526	5,907	$ 124,857	30,792	$ 948,065	4,375	$ 93,390

TOTAL LOANS AND OBLIGATIONS UNDER FARMERS HOME ADMINISTRATION INSURED LOW TO MODERATE INCOME
HOUSING PROGRAMS, FISCAL YEARS 1980-1982
(in thousands of dollars)

	Fiscal Year 1980				Fiscal Year 1981				Fiscal Year 1982			
	Total Subsidized		Total Nonsubsidized		Total Subsidized		Total Nonsubsidized		Total Subsidized		Total Nonsubsidized	
	Total Loans	Total Obligations	Total Loans	Total Obligations	Total Loans	Total Obligations	Total Loans	Total Obligations	Total Loans	Total Obligations	Total Loans	Total Obligations
NORTH CENTRAL												
Illinois	2,024	$ 58,299	774	$ 16,392	1,942	$ 60,689	390	$ 6,134	2,149	$ 68,279	289	$ 4,888
Indiana	2,309	61,625	593	12,941	1,891	52,284	380	7,157	1,826	48,458	159	2,384
Iowa	1,757	56,853	713	15,071	1,630	57,203	284	5,242	2,197	85,849	195	2,660
Kansas	826	19,960	620	11,108	832	21,456	309	4,620	709	18,231	270	228
Michigan	2,322	67,490	866	21,088	2,037	60,730	435	8,922	1,754	38,104	211	3,159
Minnesota	1,089	36,436	485	12,511	1,303	48,968	242	5,500	1,131	44,350	186	4,389
Missouri	2,463	65,394	895	18,767	2,784	78,670	447	8,244	2,386	71,279	333	5,593
Nebraska	864	24,993	331	7,052	735	22,435	197	3,773	647	21,648	113	2,197
North Dakota	483	16,118	223	4,988	590	22,152	148	3,182	919	38,026	129	3,033
Ohio	977	30,100	505	12,130	1,752	63,088	245	5,184	1,475	55,859	95	1,495
South Dakota	852	23,221	326	5,515	674	19,204	121	1,330	541	15,131	101	1,247
Wisconsin	1,429	46,503	528	13,825	1,465	49,433	251	5,398	1,581	53,524	155	3,166
Total	17,395	$ 506,992	6,859	$ 151,388	17,635	$ 556,392	3,449	$ 64,686	17,315	$ 558,738	2,236	$ 38,439
WEST												
Alaska	192	$ 10,342	39	$ 1,726	102	$ 6,206	2	$ 63	169	$ 12,121	2	$ 147
Arizona	972	24,961	233	4,901	745	18,870	159	2,632	682	23,573	70	1,770
California	2,231	83,970	409	13,920	2,407	96,236	150	4,571	2,557	105,508	79	2,200
Colorado	734	23,790	257	6,519	758	25,706	136	3,173	753	25,840	146	3,081
Hawaii	206	9,708	110	4,910	175	8,837	84	2,958	268	14,385	19	712
Idaho	1,110	28,422	226	4,972	940	26,288	165	3,287	811	20,180	158	2,430
Montana	475	14,800	167	3,606	535	16,733	106	2,435	648	20,520	80	1,665
Nevada	207	8,197	53	1,748	150	5,964	19	525	202	8,874	17	590
New Mexico	626	18,038	184	4,170	558	17,901	112	2,424	618	20,928	105	2,541
Oregon	1,549	54,737	246	6,697	1,363	50,510	74	1,804	1,315	48,507	38	931
Utah	711	24,643	228	6,582	602	20,785	134	3,466	649	22,291	68	1,747
Washington	901	30,686	223	6,568	1,020	39,449	125	3,556	1,164	48,859	46	1,317
Wyoming	215	7,803	125	3,992	228	8,545	59	1,463	513	21,980	70	2,295
Total	10,129	$ 340,097	2,500	$ 70,311	9,583	$ 342,030	1,325	$ 32,357	10,349	$ 393,566	898	$ 21,426
U.S. Territories[1]	4,005	$ 116,717	722	$ 16,877	3,164	$ 96,168	353	$ 6,303	2,483	$ 83,635	195	$ 2,359
Total United States	76,805	$2,220,087	25,918	$ 604,404	74,638	$2,327,528	12,603	$ 256,077	70,034	$2,300,000	8,848	$ 176,417

1 - Includes Puerto Rico, Virgin Islands and West Pacific Territories

Source: Department of Agriculture, Farmers Home Administration. Compilation and analysis by NAHB Economics Division.

FmHA RURAL HOUSING PROGRAMS

CHART III

STATE	1982 ACTUAL	FY 1984 Budget Proposal Block Grant	FmHA	Total
U.S. TOTAL	$3,884,125,974	$850,000,000	$374,500,000	$1,224,500,000
Alabama	75,861,274	26,537,299	10,622,832	37,160,131
Alaska	18,388,374	3,406,159	2,357,600	5,763,759
Arizona	37,690,368	5,501,635	2,455,355	7,956,990
Arkansas	87,017,017	17,313,970	7,519,363	24,833,333
California	196,260,269	23,090,687	10,272,977	33,363,664
Colorado	42,810,852	6,278,337	2,769,042	9,047,379
Connecticut	40,539,552	7,443,389	3,294,469	10,737,858
Delaware	5,969,360	1,990,297	877,057	2,867,354
Florida	122,396,909	17,071,250	7,533,532	24,604,782
Georgia	144,442,670	28,381,965	12,497,109	40,879,074
Hawaii	15,238,400	1,593,856	719,961	2,313,817
Idaho	26,347,872	5,501,635	2,436,635	7,938,270
Illinois	104,037,382	22,548,614	9,942,601	32,491,215
Indiana	95,777,010	24,166,742	10,585,147	34,751,889
Iowa	114,842,936	15,226,584	6,635,226	21,618,810
Kansas	40,975,200	9,765,402	4,236,536	14,001,938
Kentucky	128,356,792	35,898,170	15,610,444	51,508,614
Lousiana	139,981,068	16,877,075	7,428,797	24,305,872
Maine	79,786,550	10,898,092	4,726,041	15,624,133
Maryland	48,227,950	9,401,324	4,126,814	13,528,138
Massachusetts	45,114,898	10,978,998	4,817,110	15,796,108
Michigan	94,165,032	31,820,487	14,003,820	45,824,307
Minnesota	86,217,700	17,168,338	7,448,787	24,617,125
Mississippi	112,710,410	23,284,862	10,239,828	33,524,690
Missouri	115,602,490	20,436,957	8,863,663	29,300,620
Montana	33,170,476	5,323,641	2,316,979	7,640,620
Nebraska	30,548,434	7,095,491	3,082,729	10,178,220
Nevada	14,435,112	1,326,865	590,439	1,917,304
New Hampshire	39,328,430	6,051,799	2,639,015	8,690,814
New Jersey	44,924,726	9,555,046	4,190,244	13,745,290
New Mexico	51,348,864	5,833,351	2,585,888	8,419,239
New York	80,570,216	41,213,720	18,048,349	59,262,069
North Carolina	242,651,232	49,312,451	21,498,136	70,810,587
North Dakota	49,689,440	4,959,562	2,151,028	7,110,590
Ohio	75,027,602	35,679,.22	15,634,738	51,314,460
Oklahoma	90,216,010	11,747,609	5,088,043	16,835,652
Oregon	72,417,958	10,105,209	4,475,850	14,581,059
Pennsylvania	112,588,126	47,920,861	21,005,354	68,926,215
Rhode Island	11,363,240	1,561,494	673,666	2,235,160
South Carolina	114,884,762	21,763,822	9,540,363	31,304,185
South Dakota	23,364,510	5,436,910	2,382,498	7,819,408
Tennessee	129,935,426	26,901,378	11,813,576	38,714,954
Texas	151,905,144	34,789,752	15,406,549	50,196,301
Utah	32,535,850	2,394,829	1,079,942	3,474,771
Vermont	33,553,720	5,056,650	2,233,246	7,289,896
Virginia	73,912,444	26,326,943	11,523,419	37,850,362
Washington	73,671,670	12,378,679	5,444,988	7,823,667
West Virginia	75,309,056	21,998,450	9,502,418	31,500,868
Wisconsin	73,628,554	21,763,522	9,514,058	31,277,880
Wyoming	33,010,408	2,022,660	876,552	2,899,212
Puerto Rico	76,836,090	35,589,500	16,315,718	51,905,218
Virgin Islands	3,917,500	1,275,000	716,450	1,991,450

SOURCE: Housing Assistance Council

Senator MATTINGLY. We will recess now while I go over and vote.
[Recess.]
Senator MATTINGLY. Mr. Connors.

STATEMENT OF JERRY C. CONNORS, PRESIDENT, MANUFACTURED HOUSING INSTITUTE, ARLINGTON, VA., ACCOMPANIED BY RAY WEATHERLY

[Complete statement follows:]

Statement of
Jerry C. Connors, President
Manufactured Housing Institute

Mr. Chairman and members of the Committee, my name is Jerry Connors. I am president of the Manufactured Housing Institute, the national association representing almost 80 percent of the manufacturers and suppliers of manufactured housing.

I am pleased to be here today to discuss the Farmer's Home Administration's housing programs and specifically the role manufactured housing can play in meeting the shelter needs of rural America.

By way of background, over one-third of all new single family homes sold in the United States in 1982 were manufactured homes. Putting it another way, manufacturers shipped a total of 238,808 units last year from approximately 420 factory sites across the country. Most of the manufactured housing production, however, is concentrated in the South, Mid-west, and West. For example, in the state of Georgia, almost 34,000 manufactured homes were produced last year. In Texas 41,263 single family homes were sold last year, and we believe that this will represent 38 percent of that shelter market when the final sales figures are in for site-assembled housing for last year.

Given the economies of scale realized in factory production, manufactured housing most certainly holds the only hope for millions of Americans who will need affordable, decent, and safe housing in the next decade.

With this in mind, as this Committee considers changes to the Farmer's Home Administration's housing programs, it is vital that all federal and regulatory constraints against factory constructed homes be removed. Without the increased use of manufactured housing, the Nation will not be able to meet its housing goals.

The Farmer's Home Administration has been particularly unwilling or unable to see the tremendous advantages of manufactured housing. FmHA unfortunately has not recognized the industry's current "state of the art" and its capabilities to produce homes in a wide variety of designs, sizes, and models at prices which range from $8,000 to over $100,000. Therefore, we recommend that the Congress direct FmHA to carry out its statutory responsibilities to provide decent, safe, sanitary homes for rural Americans. I am prepared today to suggest proposals to meet this objective.

As the Committee is well aware, there is a continuing need in rural areas for housing for low income people. We believe, Mr. Chairman, that the manufactured housing industry can very ably assist in providing affordable, safe, and attractive housing at much less than that which can be provided by the traditional site building industry.

The Bureau of Census estimates that the price of an average manufactured home through the third quarter of 1982 was $19,500. That average home would include approximately 1,000 square feet of living space, according to our estimation. This is much less than the $32,200 average price of a new home of comparable size financed by FmHA in 1982. While our price does not include land, we would suggest that land in rural areas can be purchased and developed for much less than the $18,000 difference.

Clearly we believe FmHA can provide a needed role in meeting Rural America's shelter needs. It is ironic, however, to note that FmHA's continuing resistance to manufactured housing is contrary to the reality of market forces occuring in rural areas which indicate that manufactured housing is, in fact, meeting the shelter needs of low income people. The Census Bureau reports that in 1981 there were

3.9 million units of manufactured housing in the United States. 2.3 million or almost 60 percent were located in rural areas, i.e., outside SMSA's.

Although a number of barriers exist that restrict the availability and affordability of manufactured homes for low income people, it is apparent that the private sector as well as HUD and a number of state and local entities are much further ahead of FmHA in their efforts to remove barriers such as restrictive zoning ordinances, outmoded, non-essential contruction standards, and secondary market financing constraints.

Before we go further, I believe it is useful to clarify specifically what we mean by manufactured housing. There are several terms which refer to factory built housing. The terms modular, factory-built, mobile, manufactured, panalized, and pre-cut all apply in some way to industrialized housing production and in a dictionary sense, the meanings overlap. However, over a period of time, these terms have come to be identified in the marketplace as the products of very specific production and delivery processes.

Actually, there is a spectrum of construction techniques varying from site-built to manufactured. Traditionally, site-builders cut, assemble, and fabricate each component on site. A somewhat more industrialized technique is to pre-cut the individual components at the factory, ship them in a package, and simply assemble them on site. Some factory producers partially assemble the components in the factory and ship them to the site in panels where they are joined together. Further along the spectrum is a factory built or modular home which, is almost entirely assembled in the plant according to the individual code which prevails in the community where the home will be located. Mobile/manufactured housing is also assembled almost entirely in the factory and shipped to the site in one or more sections. However, mobile/manufactured housing is constructed in accordance with HUD's National Manufactured Housing Construction and Safety standards (NMHCSS) which were mandated by Congress in 1974 under Title VI of the Housing and Community Development Act of 1974.*

The HUD code is preemptive of all other codes. It thus allows the greatest production efficiency because it permits us to build to a single code, cross interstate lines, and go into local jurisdictions with a uniform product thereby achieving economies of scale unavailable in any other part of the construction industry. As a result, mobile/manufactured housing is the only truly industrialized housing in the United States.

I feel it is important to make this distinction clear because I am here today to comment specifically in regard to the Farmer's Home Administration's lack of action with regard to mobile/manufactured housing. Section 527 of the Housing and Community Development Act of 1974 authorized the FmHA to make loans for the purchase of manufactured homes under the same terms and conditions as HUD's FHA Title I program for manufactured homes and lots.

Nine years later, there is still no program. During that time, FmHA has consistently refused to implement the provisions of Section 527. Some delay may have been reasonable or understandable. A delay of nearly a decade is tantamount to a policy against manufactured housing -- a policy which is adverse to the needs of many housing poor rural Americans.

It is to this issue that I speak today. In the course of my remarks, I hope I will sufficiently answer several questions which were directed to me by the Committee prior to these hearings.

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*Recognizing current market realities, the Congress changed the term "mobile homes: to "manufactured housing" in the Housing and Community Development Act of 1980.

Section 527 required FmHA to do the following:

1. to include manufactured housing in the definition of "housing" eligible for loans under the FmHA loan program.
2. to prescribe minimum property standards to assure the livability and durability of the mobile home,
3. to prescribe siting standards which are applicable to local requirements, and
4. to make loans for manufactured homes under the same terms and conditions as HUD's FHA Title I insurance program.

The requirement to include mobile homes in the definition of housing was entirely sensible in 1974 and even more so today.

However, the requirement for the Secretary to establish minimum property standards "to assure the livability and durability of mobile homes" is unnecessary. It is unnecessary because Title VI of the Housing and Community Development Act of 1976 authorized HUD to develop a preemptive construction standard which meets the "highest standards of protection" (Sec. 604(a) 88 stat. 633). In addition, the Act required HUD to establish a comprehensive system for enforcement of the code. HUD implemented the Act in 1976 and since that time, all mobile/manufactured housing built in the United States must comply with the National Manufactured Housing Construction Safety Standards (NMHCSS).

The HUD code is as good as any of the major construction codes for site-built housing and, in many instances, it is superior. I would like to submit for the record two documents which compare the HUD code with several major construction codes including the HUD minimum property standards.

Even HUD has recognized that the HUD (NMHCSS) code is, in fact, comparable to its MPS and has recently promulgated regulations authorizing FHA 203(b) single family loan program for manufactured housing built to the NMHCSS.

FmHA should follow HUD's lead and do away with its current policy of requiring manufactured homes to meet the HUD MPS. The MPS is on the verge of becoming obsolete, and for that reasons, HUD has scaled back its MPS requirement.

The MPS was originally developed in the 1930's during a time which many communities either had adopted no model building codes or had in place a "home grown" variety. The basic purpose of the MPS is to ensure that the home contains certain marketability features which act to protect the government's liability by making the home more saleable in the event of a default by the borrowers. It is not a building code per se but rather an overlay of additional requirements.

Moreover, the MPS system was established in comtemplation of the site-built industry and developed long before the advent of the NMHCSS code.

In fact, in the hands of FmHA, it is not certain that the MPS requirement actually results in consistently better housing or additional protection for the government. For example, I point to the new home defects correction program which FmHA had to establish a few years back. As this Committee will recall, this was done because of the large number of defective homes which were being financed by Farmer's Home and which subsequently needed repair.

Such a thing would never be necessary with mobile/manufactured housing. The HUD standards are not only a construction code but an enforcement system. Most problems are detected in the beginning of the production process and thus we need not rely so much on after-market remedies, such as FmHA's defects correction program.

Our program works in the following way: Before we can put a plant into production, it must be inspected by HUD to insure that it and its personnel are capable of producing homes which are able to comply with the HUD code. Before a home can be manufactured, an independent inspection design firm (known as a Design Approval Inspection Agency) must approve the plans and specifications. When the home is under construction on the assembly line, another agency, the In-Plant-Inspection Agency monitors the assembly process and orders the correction of any defects it may detect. After the home leaves the plant, it carrys a manufacturer's warranty.

In addition, there is a HUD requirement that the manufacturer repair or replace, within 60 days, homes in which there are discovered to be imminent safety hazards or major construction defects. These defects must be repaired at any time during the life of the home after they time the defect is discovered.

In regard to the matter of FmHA standards and the HUD code, the Committee has directed a specific and related question, which is: "what impact do local building and zoning codes have on manufactured housing?" The answer is that they tend to work together to exclude manufactured housing from many local jurisdictions. It is not that local codes or zoning ordinances can require the industry to construct its homes to codes any other than the HUD code. Rather, zoning regulations tend to take into account and assume builder's compliance with local codes. For example, many local zoning ordinances will not permit a home to be erected in a residential zone if that home does not comply with the local building code. Thus, manufactured homes are excluded unless specific changes are made in local zoning ordinances, and very often they are, but I will come back to that later.

The problem with building codes now is three-fold. The process of developing and revising the traditional codes is cumbersome, and tends to stifle innovation. Also, the sheer proliferation of them is inimical to the process of efficient industrial production. Finally, most of the model codes are prescriptive rather than performance in nature.

Most building codes have their origin in techniques and materials which go back well beyond the industrial revolution. At present, the major codes are developed on a voluntary basis. That is to say that after consideration and deliberation of any proposed change, with imput from the constituent membership, changes are adopted. However, the introduction of a new material or a new technique often brings with it new competition and a gain or loss for some vested interest of the building industry. These considerations enter into the process rather than purely economic considerations or engineering analysis. As a result, innovation needed to reduce costs is often stifled.

A second problem with the current system of codes is the proliferation of them. It is true that there are only four or five nationally recognized model building codes. It is also true that communities generally adopt one one of them and over time add their own changes, and idiosyncracies. The result in the material world is that there are as many codes as there are communities, i.e., some 10,000 codes and variations. As a result, it is impossible to bring full-scale, economically effective, industrial production to bear on the problem. This is precisely the situation encountered by the modular home builder who tries to build local code conforming structures in a factory. On the other hand, with its single federal code, the mobile/manufactured housing builder escapes this problem and achieves greater efficiency and economy of scale. He can, therefore, offer lower prices to consumers.

A third problem with traditional codes is that they are prescriptive in nature rather than performance oriented. A performance code is one which begins with goals or targets, such as load-bearing capacity and permits a variety of techniques and materials to be employed to meet that goal. Traditional model codes are prescriptive in nature by specifically requiring the use of a very limited njmber of techniques and materials. Under a performance code such as ours, the manufacturer is able to select from a more varied platter of techniques and to bring creative solutions to the marketplace more rapidly through the use of both innovative materials and new and sophisticated engineering techniques.

The manufactured housing industry relies on cold, hard, engineering analysis and performance data to eliminate unnecessary costs. It is a pragmatic, performance-based, goal oriented system designed to deliver the consumer the broadest range of options at affordable prices. while providing a dwelling that meets the needs of the public for quality, durability, and safety. Ours is the only segment of the building industry which can do that with homes that range in price from $8,000 to upwards of $100,000.

The system works, but to keep it that way we must continue to work to eliminate any cost which cannot be justified on a cost-benefit basis. Hence, our strong opposition to the imposition of any requirement, including the MPS, which cannot be fully justified on a cost-benefit basis.

I am sure that FmHA, like many others would say that the old system has worked just fine and that Americans are the best housed people in the world. We would suggest, however, that the current state of affairs is in jeopardy when fewer than 3 percent of American families can afford the price of a new single-family site-built home. FmHA would do well to give that phenomenon some thought.

It should be evident that we believe that manufactured housing built to the HUD code is fully adequate for inclusion in all FmHA housing assistance programs. The standard to which these homes are constructed is easily sufficient to meet the needs of the public.

As far as the siting requirements go, the Committee has asked whether the FmHA site requirements are appropriate for manufactured housing. We would simply state that no unique or special siting requirements are necessary for manufactured housing. We would also add that HUD has effectively established such requirements under its Title II Manufactured Housing Loan Program.

MHI is aware of the FmHA's concern about the need to provide for energy conservation in rural housing in order to insure that very low income persons receiving rural housing assistance can afford monthly utility costs. We fully support such efforts. However, we must point out that the FmHA thermal standards are of the "specifications" type rather than the "performance" type standards as are those of HUD. We would hope that FmHA would do as HUD has done and accept thermal performance requirements for HUD code homes on a parity basis.

It is important to keep in mind that policies are often adopted at the local, state, and federal level which have the goal of increasing thermal performance may also produce severe upfront costs to low income consumers. In some cases, this can prohibit lower income consumers from affording more energy efficient homes. These potential consumers are instead forced to remain in less safe and less energy efficient housing.

In addition, the Congress must understand the trade-offs between increased thermal performance and reduced indoor air quality. Increased thermal performance requirements have caused growing concern about the level of hazardous air polluntants in indoor air.

I hope we have made the point that manufactured housing is fully acceptable for inclusion in FmHA rural housing programs. Not to do so is simply to waste an opportunity to bring affordable housing to rural families of limited means. In order to bring this option to reality, we believe certain problems with existing statutory language should be addressed.

We would strongly urge that Section 527 of the National Housing Act of 1949 be amended to include express authority for the FmHA to loan funds for the purchase of manufactured homes built in accordance with the National Manufactured

Home Construction Safety Standards. Additionally, such authority should extend to manufactured home sites, combination manufactured homes sold both as real property and as personal property.

While Section 527 of the Housing Act of 1949 established FmHA authority to make manufactured home and manufactured home site loans, its language is general and ambiguous. It does not specifically recognize the existence of the NMHCSS, but says instead that "the Secretary (of Agriculture) shall prescribe minimum property standards..." We explained earlier why site-built minimum property standards create an unnecessary barrier for manufactured housing.

HUD has solved this problem recently by amending its minimum property standards to recognize the equivalency of the NMHCSS. It did so in order that manufactured homes, placed on permanent foundations and sold as real estate would qualify for FHA single family mortgage loan insurance. In granting this authority HUD states that

> "...the differences between manufactured homes and site-built homes and have become blurred. Improvements in the design and construction of manufactured homes have enhanced their durability and acceptability in residential neighborhoods. Communities and some states have revised their zoning policies which previously relegated manufactured homes to mobile home parks. Permanently placed manufactured homes may now appreciate in value as do comparable site-built houses, rather than being considered to depreciate as they have in the past. This has resulted in jurisdictions reclassifying manufactured homes from chattels to real property status. Manufacturers are beginning to sell their manufactured homes through real estate developers rather than through dealers, and some private lenders offer mortgages on manufactured homes if they are permanently placed on the borrower's lot."

We see no practical reason why rural Americans shouldn't be afforded these same housing opportunities.

This Committee attempted to clarify the ambiguities in Section 527 of the Act with Section 512 of the Housing and Community Development Amendments of 1982

(S.2607). While we applaud those efforts, the language in that bill would not have gone far enough in removing the ambiguities in Section 527 of the Act.

Section 527 of the Housing Act of 1949 should be amended with language that creates FmHA manufactured home loan programs for both real and personal property manufactured homes on the same basis as the HUD/FHA personal and real property manufactured home loan program.

In addition, Mr. Chairman, we recommend that the FmHA's Section 515 rental program and the Section 514/516 Farm Labor Housing program be amended to expressly include rental manufactured and cooperative housing. The focus of these programs is to provide assistance for lower income families, the elderly, and farmworkers.

For many rural communities, the 515 program is the only feasible mechanism for providing new rental housing. Many of these communities have little or no decent, safe, and sanitary units available at an affordable price. Manufactured housing rental park communities are a natural and historically popular form of housing. As a matter of fact, there are over 24,000 manufactured home park communities across the nation. The Congress has recognized the need to provide parity for rental manufactured housing by authorizing HUD Section 8 rental assistance for HUD code homes.

It is obvious, after nine years, that the FmHA will not use its general authority to establish manufactured home loan programs on a basis that is practical and workable for the manufactured housing industry. We would therefore urge that new FmHA manufactured home loan programs be created with legislative language that is specific as to the conditions and requirements of the programs. We would, in fact, appreciate the opportunity of working with the Committee, through our legal counsel, in drafting legislative language for the record.

In addition to amending FmHA's single family loan and rental housing programs, we would also suggest that this Committee consider expanding the HUD/FHA program authority to rural areas where such action would be practical. The HUD/FHA manufactured housing loan programs have been established for years, and their staff has developed the knowledge and experience necessary to administer these programs. Extension of HUD/FHA authority to operate its programs in rural areas could ease the burden of program administration for the FmHA.

We hasten to point out, however, that this would be in addition to, and not in place of a FmHA manufactured home loan program.

Looking beyond the specific recommendations we have made, I would like to briefly touch upon the additional barriers to manufactured housing options in rural areas. Exclusionary and restrictive zoning, resulting from misconceptions about the quality and durability of manufactured housing as well as archiac ideas about construction techniques and architectural designs, has been a severe detrent to the availability of affordable housing.

The industry accepts the premise that local jurisdictions should establish residential housing districts. However, we cannot accept the blatant discriminatory practices of excluding manufactured housing merely because it is factory constructed. People want homes. Homes they can afford. The "let 'em eat cake" approach to land use control, insisting that families can only buy a home if it's large, "traditional" and located on a big lot will be shot down by economic reality -- and increasing public opposition. Nor will the "alternative" option of raising children in a glorified apartment complex/worker housing/ dormitory satisfy the majority of families.

Recognizing that zoning is a local prerogative, we would like to submit that it is the responsibility of the federal government, in the implementation of its housing policies and programs to suggest non-discriminatory land use guidelines and sensible siting approaches which recognize the cost efficiencies of manufactured housing. HUD's inclusion of manufactured housing in the 203(b) program is an example of such actions.

The Report of the President's Commission on Housing issued last year says that:

> "States and localities should remove from their zoning laws all forms of discrimination against manufactured housing. Exclusionary zoning provisions based on type of manufacture are arbitrary and unrelated to legitimate zoning concerns."

As states and local jurisdictions address the housing affordability question, they are slowly being forced to deal with outmoded and discriminatory land use and zoning policies. I would like to submit, for the record, a brief summary of state legislation and judicial actions which have succeeded in removing the zoning barriers for manufactured housing.

An additional barrier to affordable housing in rural areas is, as you are well aware, lack of available credit. Allowing FmHA to contract with private mortgage lenders, and to originate and service FmHA loans would foster additional private lending in rural areas.

As in other areas of the housing market, the availability of secondary mortgage markets are essential in order to meet housing needs in rural areas. As suggested by the Report of the President's Commission on Housing, FmHA should

> "...coordinate plans with State housing finance agencies, as well as FNMA and FHLMC to promote the development of other mortgages pass-through securities programs to provide access for rural housing loans to the general capital markets."

In conclusion, the manufactured housing industry feels strongly that we have a role to play in providing housing for Rural Americans. We would welcome the opportunity to join with the Farmer's Home Administration in achieving our nation's rural housing goals, and we hope this Committee will take such action as necessary to bring this partnership into reality.

Senator MATTINGLY. Thank you, Mr. Connors. I had a question for you but you've already answered it in your testimony. If there are any further questions I will submit them to you all and you can return them in writing.

Mr. Runquist, you state that section 515 is a cost efficient program, yet FmHA estimates that it costs nearly twice as much as the choice section 8 new construction programs. How do we account for that?

Mr. RUNQUIST. We do not know where that information comes from. Our numbers are FmHA numbers and are different from numbers submitted.

Senator MATTINGLY. I assume these came from FmHA.

Mr. RUNQUIST. We got our information from the FmHA.

Senator MATTINGLY. Maybe the staff can get the information somehow.

Mr. RUNQUIST. We don't understand it ourselves.

Senator MATTINGLY. The Davis-Bacon requirement applies to the farm labor housing program?

Mr. RUNQUIST. Yes.

Senator MATTINGLY. What sort of cost savings would there be if it was repealed?

Mr. RUNQUIST. There's no question that the Davis-Bacon Act does affect the labor costs considerably because usually the so-called prevailing wage rates in areas turn out to be the prevailing union scale. In our particular area, Michigan, those rates would cause a third to 50 percent increase in labor rates or I should say the other way—double.

Senator MATTINGLY. Do you have any idea if studies have been done?

Mr. RUNQUIST. Well, many of our subcontractors are nonunion, so we can see where we have a section 8 versus a nonsection 8 job or a Davis-Bacon job that a carpenter will be in the range of $12 or $14 an hour on a non-Davis-Bacon job and $22 to $26 an hour under Davis-Bacon.

Senator MATTINGLY. I guess you're the wrong person to ask that. I wonder if FmHA has done any studies on that. Probably not.

Mr. RUNQUIST. I'm not sure.

Senator MATTINGLY. Do you think that the proposal developed by the National Rural Housing Coalition is an appropriate one? They contend there's very little housing stock available for rehabilitation.

Mr. RUNQUIST. For rehabilitation of rural areas, those communities in which we work, which includes Georgia, we find very little stock for a significant rental rehabilitation. If they're talking about rehabilitation of single family homes, I would not be able to answer that.

Senator MATTINGLY. Mr. Coleman, you stated that in order to maximize the effectiveness of the program, 75 percent of it should be allocated to new construction. How do you justify that provided that rehabilitation is cost efficient and labor intensive?

Mr. COLEMAN. In very rural areas it's hard to get craftsmen in those areas to do the work if the units there are to be rehabilitated. We live in a specialized society. A carpenter wants to be a carpenter. A painter wants to be a painter. Rehabilitation is normally done by a jack-of-all trades who drives up and does a little bit of everything. One of the problems in trying to do rehabilitation work is just finding the people who can do the work. You can get aluminum siding put on and things like that, but it's hard to find craftsmen in rural areas. Besides, there's just not that many houses to rehabilitate.

Senator MATTINGLY. It's hard to find a craftsman anywhere.

The balance of the questions we will submit to you so you can respond to them in writing and I appreciate you all coming today. I'm sorry you had to wait for the vote, but that goes with the territory here. So we will now recess until 2 o'clock this afternoon when we will be having more witnesses.

[Whereupon, at 12:20 p.m., the hearing was recessed.]

[Additional material received for the record follows:]

Manufactured Housing Institute
1745 Jefferson Davis Highway, Arlington, Virginia 22202/ (703)979-6620

COMPARISON OF NATIONAL CONSTRUCTION STANDARDS

FEDERAL

MANUFACTURED (MOBILE) HOME CONSTRUCTION AND SAFETY STANDARDS

VS.

NATIONALLY RECOGNIZED MODEL BUILDING CODES

1. BASIC BUILDING CODE (BOCA - BUILDING OFFICIALS AND CODE ADMINISTRATORS, INTERNATIONAL)
2. STANDARD BUILDING CODE (SBCCI - SOUTHERN BUILDING CODE CONGRESS, INTERNATIONAL)
3. UNIFORM BUILDING CODE (ICBO - INTERNATIONAL CONFERENCE OF BUILDING OFFICIALS)

1981

A COMPARISON

BETWEEN

HUD's MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

AND

BOCA's SINGLE FAMILY DWELLING CODE (1978)

Prepared by:

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Bureau of Housing and Development
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Commonwealth of Pennsylvania
Harrisburg, PA 17120

COMPARISON OF CONSTRUCTION STANDARDS
MOBILE HOME (FEDERAL)
VS
BOCA BUILDING CODE (1978)
(IMPORTANT ITEMS FOR SINGLE FAMILY RESIDENCES)

ITEM	MOBILE HOME	BOCA CODE	M.H. STANDARD REQUIREMENTS Same-Less-More THAN BOCA
STRUCTURAL DESIGN REQUIREMENTS (PENNSYLVANIA ZONE)			
LIVE LOADS (MINIMUM)			
Wind Load	Horizontal=15 psf	Horizontal=10 psf	More
Roof Load	Snow/Live=20 psf	Snow/Live=20 psf	Same
Floor Distributed Load	Live=40 psf	Live=40 psf	Same
LOAD DEFLECTIONS (MAXIMUM)			
Floors	Unplastered=1/240 Span	Unplastered=1/240 Span	Same
Roof	Unplastered=1/180 Span	Unplastered=1/180 Span	Same
WINDSTORM PROTECTION			
Sliding & Overturning	Designed provisions for support & anchoring	Standard methods	N/A
Resistance to Weather	Exterior covering materials & construction duly tested for resistance to elements & use.	Exterior covering materials & construction duly tested for resistance to elements & use.	Same
STRUCTURAL TESTS	Assemblies not subject to engineering design are tested.	Assemblies not subject to engineering design are tested.	Same
FIRE SAFETY			
Interior Finish	Flame spread rating not exceeding 200	Flame spread rating not exceeding 200	Same
Furnace, water heater & cooking range areas	Special protection with gypsum/asbestos/sheet metal	No special provisions for fire protection	More

ITEM	MOBILE HOME	BOCA CODE	M.H. STANDARD REQUIREMENTS Same-Less-More THAN BOCA
FIRE SAFEY (cont'd)			
Smoke detection	1 Smoke detector for each bedroom area	1 smoke detector in each sleeping area	Same
EXIT FACILITIES (MINIMUM)			
Exterior door	2	1	More
Egress	1 in every bedroom	1 in every bedroom	Same
SPACE PLANNING (MINIMUM REQUIREMENTS)			
Overall Floor Area	Not Specified	Not Specified	Same
Sizes of Rooms	Living room=150 sq. ft. Double bedroom=70 sq. ft.	Living room=150 sq. ft. Bedrooms=70 sq. ft.	Same Same
Ceiling Height	7 ft.	7¼ ft.	Less
Hallways	28 in.	36 in.	Less
LIGHT & VENTILATION (MINIMUM)			
Glazed Area	8%	8%	Same
Unobstructed Area	4%	4%	Same
Mechanical Ventilation	Habitable=2 air change/ hr. Bath=5 air change/hr.	Habitable=2 air change hr. Bath=5 air change/hr.	Same Same
THERMAL PROTECTION	Equipment & insulation to provide 70 F inside in winter	Equipment & insulation to provide 70 F inside in winter	Same
PLUMBING			
Material	Nationally accepted standards (ANSI,ASTM, FS, others)	Nationally accepted standards	Same
Construction & System	Accepted methods	Accepted methods (almost identical)	Same
Tests & Inspections	Water system, drainage & vent system & fixtures are tested	Water system, drainage & vent system, & fixtures are tested (almost same tests are applicable	Same

ITEM	MOBILE HOME	BOCA CODE	M.H. STANDARD REQUIREMENTS (Same-More-Less) THAN BOCA
LECTRICAL			
Material	Acceptable under NEC	Acceptable under NEC	Same
Contruction & System	NEC	NEC	Same
Electrical Tests	Dielectric, continuity operational, polarity tests/NEC	NEC	Same
RANSPORTATION	Designed to fully withstand the transportation shocks & vibrations	Not Applicable	N/A
ESIGN EVALUATIONS	Designed by professional Engineers/Architects & checked by independent professionals	Site built residences not necessarily designed & checked by professionals	More
NSPECTIONS DURING ONSTRUCTION	Inspected by independent inspectors & public officials	Local inspectors	More

JH

Prepared: June 1, 1981

COMPARISON OF CONSTRUCTION STANDARDS

MOBILE HOME (FEDERAL)

VS

STANDARD BUILDING CODE (RESIDENTIAL & MODULAR HOMES)

(Important Items for Single Family Residence)

The following report was prepared by
the Department of Highway Safety and
Motor Vehicles, Division of Motor
Vehicles, Bureau of Mobile Home and
Recreational Vehicle Construction
State of Florida

One of the significant items of importants that needs to be considered while evaluating this report is that the mobile home code is consistant as to its requirements and enforcement regardless of the county or municipality it is built in or is to be located in here in the State of Florida. While there appears to be variances and amendments to the Standard Building Code and its enforcement depending upon the local enforcement agencies having jurisdiction, this does not imply that because of this condition one is superior to the other. However, without the variances and amendments of each of these localities it is impossible to evaluate this condition.

COMPARISON OF CONSTRUCTION STANDARDS

MOBILE HOME (FEDERAL)

VS

STANDARD BUILDING CODE (RESIDENTIAL & MODULAR HOMES)

(Important Items for Single Family Residence)

ITEM: Plans and Specifications

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3282.203 (a) thru (g) Extensive plans and specifications are mandatory for each mobile home produced covering chassis design, structural, electrical and plumbing. These plans must be approved by an Architectural or Engineering Agency that is approved by HUD.	Residential - Section 105.3 Plans & specifications are only required at the request of the Building Official and need not be approved by an Engineer or Architect. (Except in Dade & Broward Counties)	More
	Modular - Section 9B-1.09(b) Plans & specifications are to be drawn by a licensed registered Architect or Engineer registered by the State of Florida. Plans are also reviewed & approved by an independent Architect or Engineer thru Third Party. (Custom one-of-a-kind are exempt from this but must comply with local authorities.	Same

ITEM: Quality Control

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3282.203(c)	Residential	
Requires a mandatory Quality Control Program & qualified personnel to administer it. The Quality Control Program must be approved by a HUD approved agency. It is also mandatory that each mobile home still be inspected by both the Quality Control Personnel & the state inspection agency.	None	More
	Modular - Section 9B-1.10 (3) Requires mandatory quality control procedure & qualified personnel to administer it. (This can be waived if each unit is inspected. The quality control procedure must be approved by the agency and DCA in accordance with Section 9B-1.08(2)	More
Chapter 320.77 Requires mobile home dealers to be licensed & have a $25,000 bond.	None	More
Chapter 320.8225 Requires mobile home manufacturers to be licensed & have a $50,000 bond.	None	More

ITEM: Manufacturing Certification Requirements

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3282.205 (a) thru (b)(8)	Residential	
Requires the state to certify that the manufacturer is capable of building mobile homes that conform to approved Design & to the Standards & are inspected in accordance with the approved Quality Control Program by the manufacturer's Quality Control Personnel on a continuing basis.	None	More
	Modular - Section 9B-1.08 Requires 100% inspection of the first 10 units.	Same

ITEM: Inspections

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3282.204 (a) thru (e)	**Residential**	
Requires that each mobile home be inspected in at least one stage of production by an inspection agency approved by HUD to assure that the manufacturer continues to build all mobile homes to comply to the Approved Design, the Standards, and the Approved Quality Control Program & that all violations found are reported & corrected.	All phases of construction, electrical and plumbing to be inspected by the local authority having jurisdiction.	Same
	Modular - Section 9B-1.08	
	Inspection of not less than 100% of one of every four buildings by the agency.	Same
Section 3282.362(c)	**Residential**	
The state inspectors must inspect, in addition to inspecting each mobile home in at least one phase of construction:	None	More
	Modular	
1. All test equipment at least once a month	None	More

ITEM: Structural

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3280.104(a)	Residential - Section 2001.1(a)	
Ceiling Heights: Minimum height 7"0".	Ceiling Heights: minimum height 7"6".	Less
	Modular - Section 2001.1 (a)	Less
	Ceiling Heights: minimum 7"6".	
Section 3280.110(a)(b)(c)	Modular & Residential	
1. Single occupancy bedroom minimum of 50 sq. ft.	1. Minimum habitable room 70 sq. ft.	Less
2. Designed for 2 - 70 sq. ft. & an additional 50 sq. ft. for each person over 2.		
3. Living space of 150 sq. ft.	2. At least one room 150 sq. ft.	Same
Section 3280.304(a)	Residential & Modular Section 1700.6	
All dimension & board lumber shall not exceed 19% moisture content at time of installation. (The mfg. must provide the necessary testing equipment & perform this test to comply with this requirement)	Requires all lumber & plywood members, including pressure treated, 2 inches & less in thickness shall contain not more than 19% moisture content at time of installation.	Same

ITEM: Structural (Continued)

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3280.305	Residential & Modular Section 1203.1	
Structural load requirements:		
1. Floor - 40 lb. per sq. ft.	1. Floor - 40 lb. per sq. ft.	Same
2. Wall - wind load 125 m.p.h. winds.	2. Wall - wind load varies depending on location in state - 110, 120 & 130 m.p.h. (See map on page 12-15 of S.B.C. for more details concerning this.)	More (Except location of the Keys)
3. Roof - 20 lb. per sq. ft.	3. Roof - 20 lb. per sq. ft.	Same
Section 3280.112		
Toilet Compartment 30" Width 21" clear space in front	None	More

ITEM: Life Safety		
Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3280.106(a)(b)(c)	Residential & Modular - Section 1.1104.5	
1. Exit facilities require an approved egress window or door in all bedrooms.	Requires at least one operable window or door approved for emergency egress or rescue.	Same
2. Height of egress window from floor - 36".	2. Height of egress window from floor - 44".	More
3. Operating device for opening egress window must not be more than 60" from floor.	3. None	More
Section 3280.105	Residential & Modular	
Requires a minimum of 2 exterior doors located remote from each other.	Requires 1 exterior door	More
Section 3280.106(a)(b)(c)	Residential & Modular - Section 1104.5	
1. Size of egress window, minimum of 5 sq. ft.	1. Size of egress window, minimum Of 5 sq. ft. grade floor. Above grade 5.7 sq. ft.	Same (Except above grade)
2. Minimum clear opening, 22".	2. Minimum height opening 24". Minimum width opening 20".	Less

ITEM: Life Safety (Continued)

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3280.203 (a) thru (b)	**Residential & Modular - Section 704.3**	
Flamespread Limitations:	Flamespread Limitations:	
1. Interior finish of all walls & partitions must have minimum of flamespread rating of 200 (Class C).	1. Flamespread rating of 200 for interior finish.	Same
2. Ceilings - minimum of 200 flamespread (Class C).	2. Flamespread minimum of 200	Same
3. Furnace & water heater compartments - walls, ceilings & doors must have minimum of 25 flamespread (Class A).	3. None	More
Section 3280.203 (a) thru (b)		
4. Combustible Kitchen cabinet doors, counter tops, exposed bottoms & end panels must have a maximum flamespread rating of 200.	4. None	More
5. Exposed interior finishes adjacent to cooking range minimum flamespread rating of 50.	5. None	More

ITEM: Life Safety (Continued)

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3280.204(a) Requires the bottom & sides of combustible kitchen cabinets over cooking ranges to be protected with ½" thick asbestos millboard covered with not less than 26 gauge sheet metal.	Residential & Modular None	More
Section 3280.206(a) Requires fire-stopping materials to be minimum 1" nominal lumber or equivalent at all draft openings.	Residential & Modular - Section 705 Requires 2" nominal lumber for fire-stopping.	Less

ITEM: Life Safety (Continued)

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3280.208 (a) thru (c)	Residential & Modular - Section 1127, Requires:	
Fire Detection Equipment Required:		
1. At least one approved smoke detector; 2 are required if split bedroom arrangement.	1. One (1) smoke detector to be installed.	More
2. Location of smoke detectors to be between living area and bedrooms in hallways, 5" to 7" from ceiling.	2. Installed in accordance with mfg. installation instructions.	Same
3. Detector to be attached to outlet box & connected by permanent wiring method.	3. Battery operated detectors allowed.	More

ITEM: Plumbing Systems

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3280.601 thru 3280.612(d)	Residential & Modular - Standard Plumbing Code	All plumbing systems basically same except residential requires a minimum 2" main vent where a 1½" main vent is allowed in mobile homes.

(If you should have any specific questions concerning the plumbing codes, please ask, or if you wish you can call Dave Hickman at 904/487-2080 or Phil West at 904/488-3581 at a later date. All answers will result in a joint effort by this Department and the Department of Community Affairs so as to reflect comparison of both codes.)

ITEM: Electrical

Mobile Home (HUD)	S.B. Code for Residential & Modular	M/H Requirements (Same-Less-More Than S.B. Code)
Section 3280.801 thru 3280.816 Presently the 1975 Natl. Electrical Code is used for code compliance on mobile homes.	Residential & Modular - Presently the 1978 Natl. Electrical Code is enforced.	(HUD is presently in the process of updating the electrical code & adopting the 1978 version of the Natl. Electric Code)

(If you should have any specific questions concerning the electrical codes, please ask, or if you wish you can call Dave Hickman at 904/487-2080 or Phil West at 904/488-3581 at a later date. All answers will result in a joint effort by this Department and the Department of Community Affairs so as to reflect comparison of both codes.)

COMPARISON OF DESIGN CRITERIA
SINGLE FAMILY DWELLING
FEDERAL MOBILE HOME STANDARD
UNIFORM BUILDING CODE

DESIGN ELEMENTS	DESIGN CRITERIA	
CODES	Federal Mobile Home Construction and Safety Standards	UBC 1976 UPC 1976 NEC 1978
ZONING		
Occupancy	One Family Dwelling	R-3 (residential single family)
Type of Construction	Per local jurisdictions	V-N (wood frame construction combustible)
Fire Zone	Per local jurisdictions	3 (residential)
Location on Property	Per local jurisdictions	Over 3' to prop. line for unprotected opening in walls.
STRUCTURAL DESIGN LOADS		
Roof Live Load	20 PSF(1)	20 PSF(1)
Wind Load - horizontal	15 PSF	15 PSF
Wind Load - uplift	9 PSF	11.25 PSF
Floor Live Load	40 PSF	40 PSF
Horiz. Load on Int. Walls	5 PSF	None specified
Live Load Deflections:		
Floor	L/240	L/240
Side Wall	L/180	L/120
Roof/Ceiling	L/180	L/180
Test Load Requirements	2.5 x L.L.	2.5 x L.L.
ARCHITECTURAL DESIGN - BUILDING PLANNING		
Glazed Area	8% of floor area	10% of floor area
Vent Area	4% of floor area	5% of floor area
Min. Room Size:		
One Room	150 sq. ft.	150 sq. ft.
Bedroom (2 persons)	70 sq. ft.	70 sq. ft.
Bedroom (min.)	50 sq. ft.	70 sq. ft.
Min. Room Dimension	5 ft.	7 ft.
Closet Depth (required in ea. bedroom)	22 in.	None specified
Toilet Compartment	30" wide w/21" clear.	30" wide w/24" clear
Hall Width	28 in.	None specified
Ceiling Heighth - General	7 ft.	7 ft. 6 in.
Exterior Wall Covering	Weather resistive and corrosion resistant fasteners	Prescribes minimum materials and fasteners
FIRE SAFETY		
Exit Doors	2	1
Specify Ext. Door Locations	Yes	No
Bedroom Egress Window:	Yes	Yes
Min. Size	5 sq. ft.	5.7 sq. ft.
Min. Sill Height	36 in.	44 in.
Furnace Compartment Lining	Gyp. bd. + 25 FS max.	Not specified
Water Heater Comp. Lining	Gyp. bd. + 25 FS max.	Not specified
Furnace/Water Heater Compartment - Sealed from Living Area Environment	Required or use sealed combustion appliance	Not required
Kitchen Range Back Wall	Gyp. bd. + 50 FS max.	Not specified
Protect Cabinets Above Range	Yes	Yes
Smoke Detector(s)	Yes	Yes
Fire Blocking in Walls	8 ft.	10 ft.
Flamespread in Living Areas:		
Walls	200 or less (Class III)	Class III(2)
Ceiling	200 or less (Class III)	Class III(2)

Comparison of Design Criteria
Page 2

THERMAL ENERGY CONSERVATION		
Condensation Control:		
Walls	Vapor barrier	Vapor barrier
Ceiling	Vapor barrier	Not specified
Air Infiltration Control	Specified	Not specified
Max. Heat Loss	Specified	Not specified
Double Glazing or Storm Windows	Mandatory	Not mandatory
Requires Listed Appliances	Yes	Yes
Interior Heated to 70°F	Required	Required
PLUMBING		
Hot and Cold Supply:		
Pipe Sizing	No. of fixtures	No. of fixture units
Plastic Pipe	Yes	No
DWV System:		
Drain Pipe Size	Comparable	Comparable
Horizontal Wet Vent	Yes	No
Cleanouts	Over 45° ea., 360° Total	135° Total
Listed Materials and Fixtures	Yes	Yes
Gas Piping	Comparable	Comparable
Vertical Wet Venting	Yes	Yes
ELECTRICAL		
Require Listed Material and Devices	Yes	Yes
Aluminum Wire in Branch Circuits	Not permitted	Permitted
Receptacle Locations	Comparable	Comparable
Load Calculations	Comparable	Comparable
Separate Neutral and Ground on Appliances and Equipment	Yes	No
SITE DEVELOPMENT		
Grading	Per local jurisdictions	Specified
Foundation Design	Per local jurisdictions	Specified
Anchorage to Foundation	Specified	Specified

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[1] Building official or home manufacturer may adopt higher loads to meet local conditions.

[2] Not applicable to finishes in kitchen or bathroom

COMPARISON OF THE UNIFORM BUILDING CODE AND THE HUD SAFETY AND CONSTRUCTION STANDARDS

	HUD STANDARD	UBC
CONSTRUCTION:		
Horizontal and Vertical Loads, Live and Dead	Same	Same
Testing Procedures	Less Stringent	More Stringent
Required Construction Materials	Less Stringent	More Stringent
ELECTRICAL:	Same	Same
PLUMBING:		
Water Lines	Plastic, Galvanized, or Copper	Galvanized or Copper
Venting	Wet Venting Allowed	Individual Venting Required
HEATING:	More Stringent	Less Stringent
FIRE SAFETY:	More Stringent	Less Stringent
DYNAMIC LOADING:	Required	Not Required
EMERGENCY CONSERVATION:	More Stringent	Less Stringent

NOTE: In basic terms, the HUD Standard is a performance standard while the UBC is more of a specification standard. Both standards provide safe, durable, long-lasting homes.

SUMMARY OF MAJOR ZONING CASES AFFECTING MANUFACTURED HOUSING

I. STATE SUPREME COURT RULINGS

A. Michigan State Supreme Court

Re: Robinson Township vs. Knoll
decided February 23, 1981

"The per se exclusion of mobile homes from all areas not designated as mobile home parks has no reasonable basis under the police power, and is therefore unconstitutional."

B. New Jersey State Supreme Court

Re: Southern Burlington County NAACP, et al.
and Davis Enterprises vs. Township of Mount Laurel
(Mount Laurel II)

In the first Mount Laurel decision (1975), the Court established the "fair Share" principle which required local communities within a given region to accept a proportional share of housing for low and moderate income persons.

When, by 1978, the Township of Mount Laurel allegedly had not taken action to fulfill the requirements of the Court's decision, the Plaintiffs again sued. In conjunction with the "Mount Laurel II" case, the Court permitted Davis Enterprises to join the suit.

Davis Enterprises is a developer who intended to construct a manufactured home park in the Mount Laurel Township area but was denied permission by virtue of existing exclusionary zoning ordinances and practices and by the fact that the Mount Laurel Township government refused even to consider his petition. Attorneys for the Plaintiffs included Davis Enterprises as a partner in the case arguing that manufactured housing is a legitimate means of providing lower cost housing.

The decision handed down by Supreme Court Justice Wilentz stated that "the Court is more firmly committed to the original Mount Laurel doctrine than ever ... and we are determined... to make it work."

Under the decision the Court will rule on each aspect, each question, and each definition in order to insure that the Court decision is carried out. The Court will appoint "masters" to work with Townships who are found guilty of discrimination through zoning.

The Mount Laurel II decision will effectively overturn a 1920 State Supreme Court decision which said that municipalities had the right to ban manufactured homes simply because they are manufactured homes.

This decision is one of the strongest judicial decisions made in favor of manufactured housing.

C. Montana Second Judicial District

Re: Martz vs. Butte-Silver Bow Government
decision reaffirmed January 1983

The following excerpts represent the major findings and conclusions of the Court concerning this case:

"Where a zoning ordinance purports to limit mobile home parks to areas constituting less than % (one percent) of the land zoned for residential use, the zoning is tantamount to an exclusionary ban on mobile home parks and is unconstitutional."

"A zoning ordinance which permits mobile homes to be located on lots having a large minimum size is similarly exclusionary in effect..."

"The practical effect of allowing mobile homes in ... zones where the minimum lot size is one acre is to exclude low and moderate income families desiring to live in mobile homes..."

"Mobile homes and mobile home parks are legitimate land uses and may not be banned from a community."

"Manufactured homes built to the NMHCSS (National Manufactured Housing Construction Safety Standards) must be permitted in all residential areas where single family dwellings built to the UBC (Uniform Building Code) are permitted since there is no distinction between such dwellings in terms of health and safety."

D. Texas

Re: Homes N. Comeau, et al., Appellants vs.
City of Brookside Village, et al., Appellees
decision May 1982

The State Supreme Court ruled that cities and municipalities have constitutional authority to prohibit the location of manufactured homes within privately owned lots within the city. There are several proposals pending in the State Legislature which seek to overturn this adverse ruling.

II. STATE LEGISLATIVE ACTION

A. Vermont

Re: Act 236 - adopted 1976

The Statute prohibits the outright exclusion of mobile homes and also prohibits requirements greater than those for conventional dwellings. A Vermont state agency memorandum to municipalities describes the Act:

"The intent of these changes is to prohibit invidious distinctions between housing based solely on methods of contruction and... (to) assure that municipal zoning regulations adequately provide for a wide range of housing needs."

In further comments, the memorandum describes Act 236 to mean that "...if there is a demonstrative need for low cost rental housing that can be met only by...uses...such as apartments must allow them or be amended to accommodate them as the need arises."

B. California

Re: SB 1960 - signed into law on September 26, 1980

The Act permits local governments to designate lots for mobile homes use which are now zoned for single-family dwellings where their use is compatible. The local government may apply "all of the same development standards to which a conventional single-family residential dwelling on the same lot would be subject..."

Local architectural requirements concerning the mobile home structure itself "shall be limited to its roof overhang, roofing material, and siding material."

The law further states that "in no case may a city, including a charter city, county, or city and county apply any development standards which will have the effect of totally precluding mobile homes from being installed as permanent residences."

C. Indiana

Re: HB 1032 passed in the 1981 legislative session - effective date July 1, 1982

The Act states, in part, the following:

> "...Standards and requirements specified in comprehensive plans and ordinances, adopted under this section for lots and dwellings units may not totally preclude all manufactured homes constructed after January 1, 1981, and that exceed twenty-three (23)

feet in width and nine hundred fifty (950) square feet of occupied space, from being installed as permanent residences on any lot on which any other type of dwelling unit may be placed."

D. Kansas

Re: 1976

Neither the Board of County Commissioners nor the Planning Board of any County shall, in the exercise of any powers and duties confered under Article 29 of Chapter 19 of the Kansas Statutes Annotated, regulate the occupancy or location of dwelling units in such a way as to affect an arbitrary exclusion of manufactured housing.

E. Florida

Re: House Bill 1025
Passed the State Legislature March 1981

This bill, among other things, will outlaw exclusionary zoning of manufactured housing attached to permanent property. The bill states in part that no local requirement or regulations can be established which prohibit the use of manufactured housing installed as permanent residences. Mobile homes must be treated by local governments in the same manner as conventionally constructed housing.

F. Minnesota

Re: An act amending the Minnesota statutes adopted March 1982

The act prohibits municipalities and County Planning Boards from excluding manufactured housing in zoning laws and ordinances. The municipalities may regulate the width and type of foundation of the units.

MANUFACTURED HOMES AND SITE-BUILT HOUSES: COMPARISON OF HUD STANDARDS, ELIGIBILITY FOR FHA LOANS, AND LOAN COSTS TO PURCHASERS

Howard Gates

January 19, 1981

Manufactured Housing Institute
1745 Jefferson Davis Highway
Arlington, Virginia 22202

INTRODUCTION

The purpose of this report is first, to review the current provisions of FHA loans under Titles I and II of the National Housing Act, and to compare the economic impact on home buyers of these provisions; second, to examine the eligibility of manufactured and site-built housing for Title I and Title II loans; and third, to compare in some detail the technical requirements under which manufactured homes and site-built houses are constructed.

EXECUTIVE SUMMARY

New manufactured homes, all of which are constructed to Federal Mobile Home Construction and Safety Standards (MHCSS), qualify for loans under Title I of the National Housing Act, but are ineligible for loans under Title II. As a result, manufactured home purchasers must pay higher down and monthly payments than buyers of site-built houses financed under Title II. The higher interest rates prevailing under Title I mean that buyers of manufactured homes and lots must invest 10 percent to 11 percent (as measured by the present value of down plus monthly payments) than buyers of site-built houses and lots having the same purchase price -- at least $3,000 more for a $30,000 purchase and $4,000 more for a $40,000 purchase.

Buyers of certain existing manufactured homes do not face these penalties, even though the older homes they purchase may not have been built to Federal Mobile Home Construction and Safety Standards: Under recent HUD rules, existing double-section manufactured homes on permanent foundations, in states where they are recognized as real estate entities, are eligible for Title II loans.

Making new manufactured housing eligible for Title II loans would significantly increase the accessibility of single-family home ownership to those families that otherwise could not afford it. A decline of 10 percent to 11 percent in required investment would likely substantially increase manufactured housing demand.

The chief bar to Title II financing of new manufactured homes is that they do not meet HUD Minimum Property Standards for One and Two Family Dwellings (MPS).

A comparison of this standard with Federal Mobile Home Construction and Safety Standards reveals only insignificant differences in required structural performance. The differences in detail between the two standards are attributable primarily to their differences in orientation: MHCSS toward factory construction and subsequent transportation to site; and MPS toward construction on site. MHCSS design requirements are reinforced by implementing regulations. These call for a detailed independent engineering review and approval of plans covering all design elements of each manufactured home model -- structural, electrical, plumbing, heating, cooling, ventilation, durability, etc. -- and factory inspection of each home for conformity to the approved plans prior to sale or lease. MPS includes, in addition to structural specifications, requirements for site planning, house foundations, and other items applicable to the whole property.

It would be a mistake, we believe, to attempt to bring manufactured housing into eligibility for Title II loans by imposing MPS structural requirements, as the MPS orientation toward traditional on-site construction methods is inapplicable. Rather, the Title II eligibility requirements should be changed to permit new construction in accordance with MHCSS, and to state specific requirements for site and foundation design for manufactured homes.

FHA LOANS UNDER TITLES I and II
OF THE NATIONAL HOUSING ACT

The eligibility requirements for loans under Titles I and II of the National Housing Act are complex and the loan provisions themselves differ substantially under the two titles. In general, manufactured homes qualify under Title I and site built houses under Title II. However, under certain conditions, certain classes of manufactured homes do not qualify under Title I but may qualify under Title II. We will first deal with the normal situation and, in later paragraphs, examine the eligibility requirements.

Comparison of Manufactured Home and Site-Built House Financing

Normally, new manufactured homes are eligible for FHA financing under Title I of the National Housing Act. Site-built single-family dwellings are eligible for FHA loans under Title II of the Act. Subject to the limitations set by the Act, loan provisions are established by the Secretary of Housing and Urban Development.

Loan provisions are compared in Table 1 below. Table 1 includes both current provisions and certain contemplated new provisions that are awaiting Secretarial clearance (as of November 7, 1980).

Buyers of manufactured homes under Title I are subject to much more stringent loan provisions than buyers of conventional homes under Title II. As shown in Table 1, Title I requires larger down payments, shorter loan maturities, lower maximum loan amounts and higher interest rates than Title II.

Table 1

Comparison of FHA Loan Provisions for a Combination of House and Lot

	Title I - Manufactured Homes*				Title II Conventional Single-Family Dwellings**
Current:	Singlewide unit		Doublewide unit		
Maximum loan amount (structure)	$16,000		$24,000		
	Undeveloped lot	Developed lot	Undeveloped lot	Developed lot	
Maximum loan amount (lot)	$ 5,000	$ 7,500	$ 5,000	$ 7,500	
Maximum loan amount (house and lot)	21,000	23,500	29,000	31,500	$ 67,500
Projected New:					
Maximum loan amount (structure)	20,000		30,000		
Maximum loan amount (lot)	6,000	10,000	6,000	10,000	
Maximum loan amount (house and lot)	26,000	30,000	36,000	40,000	90,000
Current: Mortgage duration	15 years		20 years		30 years
Projected new: Mortgage duration	20 years		25 years		
Current: Interest rate	15 percent				13 percent
Current: Down payment required	5 percent of first $10,000 of purchase price; 10 percent of amount over $1[illegible]0				3 percent of first $25,000 of value; 5 percent of amount over $25,000

*Data from Mr. Stanley Pohutsky, HUD, November 7, 1980

**Data from Mr. Brian Chappelle, HUD, November 7, 1980

The economic impact on the home buyer of the differences in loan provisions is significant. Most obvious is that, for a given purchase price of house and lot, the manufactured home buyer has not only a higher down payment, but substantially higher monthly payments. Less obvious, but more important from an investment standpoint is that, because of his higher interest rates, the present value of payments made by the manufactured home purchaser during the life of the loan is very much larger than the present value of payments made by the buyer of a conventional home having the same purchase price.

"Present value" is simply the sum of the discounted values of amounts paid during the term of the loan (including the down payment); the discount rate applied to future payments is what money is worth -- i.e., the market interest rate. Comparing the present values at identical money rates of two different sequences of payment amounts is a legitimate and useful method of illustrating the differences between them.

In Table 2 are compared down payments and monthly payments for manufactured homes under Title I and conventional homes under Title II having identical purchase prices. FHA loan provisions currently in force are used. Table 2 also compares present values of amounts paid by the buyers under Titles I and II for two different money rates, 13 percent and 15 percent. It will be seen that the new-manufactured-home buyer must pay (in present value) at least $2,000 more for a $20,000 house and lot and at least $3,500 more for a $34,000 house and lot than does the conventional home buyer.

The projected future loan provisions that are awaiting Secretarial clearance offer no significant relief. Monthly payments under Title I are slightly smaller and maximum loan amounts are higher under the projected provisions but, as shown in Table 3, the manufactured home buyer's effective cost differential has widened: he must pay (in present value) at least $2,200 more for a $20,000 house and lot and

Table 2

Comparison of Down and Monthly Payments and Their Present Values Under Titles I and II
(Current provisions)

	Payments				Present value of amounts paid if money is worth 13 percent			Present value of amounts paid if money is worth 15 percent		
	Title I		Title II							
Purchase price	Down payment	Month payment	Down payment	Month payment	Paid by Title I buyer	Paid by Title II buyer	Excess paid by Title I buyer	Paid by Title I buyer	Paid by Title II buyer	Excess paid by Title I buyer
20,000	1,500	230.82	600	203.80	22,091	20,000	2,091	20,000	17,733	2,267
21,000	1,600	242.05	630	213.99	23,193	21,000	2,193	21,000	18,620	2,380
22,000	1,700	253.28	660	224.18	24,294	22,000	2,294	22,000	19,507	2,493
23,000	1,800	264.51	690	234.37	25,396	23,000	2,396	23,000	20,393	2,607
24,000	1,900	275.74	720	244.56	26,498	24,000	2,498	24,000	21,280	2,720
25,000	2,000	286.97	750	254.75	27,600	25,000	2,600	25,000	22,167	2,833
26,000	2,100	298.20	800	264.73	28,702	26,000	2,702	26,000	23,056	2,944
27,000	2,200	309.43	850	274.71	29,803	27,000	2,803	27,000	23,945	3,055
28,000	2,300	320.66	900	284.69	30,905	28,000	2,905	28,000	24,834	3,166
29,000	2,400	331.89	950	294.67	32,007	29,000	3,007	29,000	25,723	3,277
30,000	2,500	343.12	1,000	304.65	33,109	30,000	3,109	30,000	26,612	3,388
31,000	2,600	354.35	1,050	314.63	34,211	31,000	3,211	31,000	27,501	3,499
32,000	2,700	365.58	1,100	324.61	35,312	32,000	3,312	32,000	28,390	3,610
33,000	2,800	376.81	1,150	334.59	36,414	33,000	3,414	33,000	29,279	3,721
34,000	2,900	388.04	1,200	344.57	37,516	34,000	3,516	34,000	30,168	3,832
35,000	Over	Limit	1,250	354.55	Over	35,000	Limit	Over	31,057	Limit
36,000	Over	Limit	1,300	364.53	Over	36,000	Limit	Over	31,946	Limit
37,000	Over	Limit	1,350	374.51	Over	37,000	Limit	Over	32,835	Limit
38,000	Over	Limit	1,400	384.49	Over	38,000	Limit	Over	33,724	Limit
39,000	Over	Limit	1,450	394.47	Over	39,000	Limit	Over	34,613	Limit
40,000	Over	Limit	1,500	404.45	Over	40,000	Limit	Over	35,502	Limit
41,000	Over	Limit	1,550	414.43	Over	41,000	Limit	Over	36,391	Limit
42,000	Over	Limit	1,600	424.41	Over	42,000	Limit	Over	37,281	Limit
43,000	Over	Limit	1,650	434.39	Over	43,000	Limit	Over	38,170	Limit
44,000	Over	Limit	1,700	444.37	Over	44,000	Limit	Over	39,059	Limit
45,000	Over	Limit	1,750	454.35	Over	45,000	Limit	Over	39,948	Limit

For CURRENT terms: Title I, doublewide manufactured homes on developed lots, loan limit is $31,500 and maximum loan duration is 20 years. Interest rate is 15 percent. Title II, conventional housing, loan limit is $67,500, loan duration is 30 years, and interest rate is 13 percent.

Table 3

Comparison of Down and Monthly Payments and Their Present Values Under Titles I and II
(Future provisions)

	Payments				Present value of amounts paid if money is worth 13 percent			Present value of amounts paid if money is worth 15 percent		
	Title I		Title II							
Purchase price	Down payment	Month payment	Down payment	Month payment	Paid by Title I buyer	Paid by Title II buyer	Excess paid by Title I buyer	Paid by Title I buyer	Paid by Title II buyer	Excess paid by Title I buyer
20,000	1,500	223.51	600	203.80	22,305	20,000	2,305	20,000	17,733	2,267
21,000	1,600	234.38	630	213.99	23,417	21,000	2,417	21,000	18,620	2,380
22,000	1,700	245.26	660	224.18	24,530	22,000	2,530	22,000	19,507	2,493
23,000	1,800	256.13	690	234.37	25,641	23,000	2,641	23,000	20,393	2,607
24,000	1,900	267.01	720	244.56	26,754	24,000	2,754	24,000	21,280	2,720
25,000	2,000	277.88	750	254.75	27,866	25,000	2,866	25,000	22,167	2,833
26,000	2,100	288.75	800	264.73	28,978	26,000	2,978	26,000	23,056	2,944
27,000	2,200	299.63	850	274.71	30,091	27,000	3,091	27,000	23,945	3,055
28,000	2,300	310.50	900	284.69	31,202	28,000	3,202	28,000	24,834	3,166
29,000	2,400	321.37	950	294.67	32,314	29,000	3,314	29,000	25,723	3,277
30,000	2,500	332.25	1,000	304.65	33,427	30,000	3,427	30,000	26,612	3,388
31,000	2,600	343.12	1,050	314.63	34,539	31,000	3,539	31,000	27,501	3,499
32,000	2,700	354.00	1,100	324.61	35,652	32,000	3,652	32,000	28,390	3,610
33,000	2,800	364.87	1,150	334.59	36,763	33,000	3,763	33,000	29,279	3,721
34,000	2,900	375.74	1,200	344.57	37,875	34,000	3,875	34,000	30,168	3,832
35,000	3,000	386.62	1,250	354.55	38,988	35,000	3,988	35,000	31,057	3,943
36,000	3,100	397.49	1,300	364.53	40,100	36,000	4,100	36,000	31,946	4,054
37,000	3,200	408.36	1,350	374.51	41,212	37,000	4,212	37,000	32,835	4,165
38,000	3,300	419.24	1,400	384.49	42,325	38,000	4,325	38,000	33,724	4,276
39,000	3,400	430.11	1,450	394.47	43,436	39,000	4,436	39,000	34,613	4,387
40,000	3,500	440.99	1,500	404.45	44,549	40,000	4,549	40,000	35,502	4,498
41,000	3,600	451.86	1,550	414.43	45,661	41,000	4,661	41,000	36,391	4,609
42,000	3,700	462.73	1,600	424.41	46,773	42,000	4,773	42,000	37,281	4,719
43,000	3,800	473.61	1,650	434.39	47,886	43,000	4,886	43,000	38,170	4,830
44,000	Over	Limit	1,700	444.37	Over	44,000	Limit	Over	39,059	Limit
45,000	Over	Limit	1,750	454.35	Over	45,000	Limit	Over	39,948	Limit

For FUTURE terms: Title I, doublewide manufactured homes on developed lots, loan limit is $40,000 and maximum loan duration is 25 years. Interest rate is 15 percent. Title II, conventional housing, loan limit is $90,000, loan duration is 30 years and interest rate is 13 percent.

at least $4,800 more for a $43,000 house and lot than must the conventional home buyer.

It is clear from these results that the manufactured home buyer is being severely dicriminated against by current and future loan regulations. Both the higher down payment requirements and the higher interest rates of Title I contribute to the substantially greater investment, as measured by present value, that he must make to acquire his home.

While we are unable to relate directly present value of investment to demand for manufactured homes, we have previously shown that purchase-price elasticity of demand was quite high, with a value of -2.4. If demand is, as expected, sensitive to the present value of future plus down payments, applying the loan provisions of Title II to manufactured housing (in place of Title I) would increase demand substantially.

Eligibility Requirements for Manufactured Homes

New manufactured homes are eligible for loans under Title I. However, old manufactured homes are not eligible for Title I loans unless they were previously financed under Title I.

Under recent HUD policy Notice H80-95 dated August 28, 1980 and expiring February 27, 1981 (4150.1), existing doublewide manufactured homes are eligible for Title II financing if the property meets certain requirements.

1. The home must be anchored to and supported by permanent footings;

2. There must be permanently installed utilities which are protected from freezing;

3. The home must have a properly enclosed crawl space;

4. The property must be classified by state law as a real estate entity;

5. Units must meet minimum property standards for existing construction as set forth in HUD Handbook 4905.1, Requirements for Existing Housing, One to Four Family Living Units.

The requirements of Handbook 4905.1 are too lengthy to reproduce here; in summary, they are:

a. The property must comprise a single plot or two plots as a readily marketable real estate entity.

b. Living units must be accessible and maintainable without trespass on adjoining properties.

c. Utilities for each unit under separate ownership must be independent, and access to them for maintenance must not require trespass.

d. Each unit must have a water supply, sanitary facilities, adequate heating, hot water and electricity.

e. The property must not be defective in construction, workmanship or current condition.

f. The property must have access to public or private roads.

g. Living units must have adequate space for living, sleeping, cooking, dining and sanitary facilities.

h. Mechanical systems must be safe, durable, economical, of adequate capacity and quality, and protected from destructive elements.

i. Ventilation necessary to prevent decay and deterioration of structure must be provided.

j. The roof must be sound.

k. The property must be free of hazards.

The HUD Notice of August 28, 1980 makes clear that proposed construction, including manufactured homes, must meet the requirements of HUD Handbook 4900.1, "Minimum Property Standards for One and Two Family Dwellings." As discussed elsewhere in this report, these standards are oriented toward site-built houses, and manufactured homes built under Federal Mobile Home Construction and Safety Standards normally would not qualify.

Table 4 summarizes the current eligibility of manufactured homes for loans under Title I and Title II. It will be noted that under current loan provisions, when an existing home is eligible for a Title II loan, the required minimum down payment is ten percent if the home has been on-site less than one year; if it has been on-site at least one year the down payment is three percent of the first $25,000 and five percent of the amount over $25,000.

Table 4

Current Eligibility of Manufactured Homes for FHA Loans Under Titles I and II

	Singlewides		Doublewides	
	Title I	Title II	Title I	Title II
New (e.g., proposed construction, not yet on site)	Yes	No	Yes	No
Existing --				
• If previously financed under Title I	Yes	--	Yes	--
• If not previously financed under Title I	No	--	No	--
• If on permanent foundation, etc., and meets requirements of 4905.1	--	No	--	Yes*

*If on site less than one year, minimum down payment is ten percent of value; if on site at least one year, minimum down payment is three percent of first $25,000 and five percent of amount over $25,000.

Eligibility of Site-Built Houses for Title II Financing

Proposed site-built dwellings not yet constructed are eligible for Title II financing provided the design of the site and structure meet the requirements of Handbook 4900.1, Minimum Property Standards for One and Two Family Dwellings and and are FHA or VA inspected. Loan terms are as indicated for conventional housing in Table 1.

Already existing site-built houses not constructed to HUD Handbook 4900.1 are eligible for Title II financing provided the property meets the simpler minimum requirements of HUD Handbook 4905.1, "Requirements for Existing Housing, One to Four Family Living Units." As noted earlier, the maximum loan amount is 90 percent of property value for houses on site less than a year; for those on site at least one year, the down payment is three percent of the first $25,000, plus five percent of the amount over $25,000.

Summary

Under current HUD policies, new manufactured homes qualify for Title I loans. They are not eligible for Title II loans because they are constructed to Federal Mobile Home Construction and Safety Standards rather than to Minimum Property Standards for One and Two Family Dwellings, HUD Handbook 4900.1. A comparison of the requirements of these two standards is contained in the next section of this report.

A specific class of existing manufactured home properties, doublewide mobile homes on permanent footings, classified by state law as real estate entities, are eligible for Title II loans provided they meet the straightforward and elementary Requirements for Existing Housing, One to Four Family Dwelling Units, HUD Handbook 4905.1. Existing site-built houses have similar eligibility requirements.

The differences in loan provisions require new manufactured home buyers to invest in their properties under Title I loans (as measured by the present value of all payments) ten percent to eleven percent more than buyers under Title II loans of site-built houses having the same purchase price. Down payments, interest rates, maximum loan amounts and loan maturities are more onerous to the new manufactured home purchaser than to the site-built house buyer.

It is difficult to understand a policy under which buyers of new manufactured homes are not entitled to loans under Title II, while buyers of existing manufactured homes are eligible. New manufactured homes are, of course, built to federal standards, while existing homes, if constructed prior to June 15, 1976, are not. Permitting new homes to qualify under Title II would substantially improve the affordability of manufactured housing and very likely increase new manufactured housing demand by 25 percent.

As will be noted in the next section, the structural requirements of HUD Handbook 4900.1 and HUD MHCSS are not significantly different. MHCSS requires certification of compliance to its requirements and in-plant inspection to assure adherence to approved design plans. Thus a primary requirement for eligibility for Title II loans of proposed construction -- that of design approval and inspection -- is met, under the aegis of a responsible HUD agency (though not FHA or VA). Other requirements, such as site plan approval, the use of a permanent footing or foundation and approval thereof, could readily be imposed and met by the buyer or his installation contractor.

An equitable and rational alteration in HUD policy appears to be indicated:

> Permit the eligibility for Title II loans of new manufactured homes consisting of one or more sections, mounted on permanent foundation or footings, provided that they meet the site plan requirements of HUD Handbook 4900.1 or HUD Handbook 4905.1 and constitute marketable real estate entities under state law.

COMPARISON OF HUD MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS WITH HUD MINIMUM PROPERTY STANDARDS FOR ONE AND TWO FAMILY DWELLINGS

(HUD Handbook 4900.1, Proposed Revision, September 1980).

New manufactured homes are required to be built in accordance with Federal Mobile Home Construction and Safety Standards, which preempt local codes and standards. Manufactured homes are eligible for loans under Title I of the National Housing Act.

Site-built houses are constructed to meet local codes and standards. If proposed new constructions, together with their sites, additionally meet HUD Minimum Property Standards for One and Two Family Dwellings, they are eligible for loans under Title II of the National Housing Act.

This section will compare requirements of the two standards.

General Comparison

Siting Requirements

HUD Minimum Property Standards (subsquently referred to as "MPS") contain detailed requirements for site design -- land use, setback distances, grading, drainage, streets, access, planting, utilities, septic fields, etc. The Federal Mobile Home Construction and Safety Standards (henceforth, "MHCSS"), which cover only the performance requirements of the structure, contain no such requirements. Manufactured home siting is under the aegis of state and local zoning and building regulations.

Foundation Requirements

MPS covers details of construction of foundations, footings and slabs, treatment of soils, masonry design and construction. In contrast, the manufactured-home builder does not supply foundations; thus, MHCSS requires only that support and anchoring systems for the manufactured home be designed by a registered professional engineer or architect; the manufacturer is required to supply printed instructions specifying the required capacity of stabilizing devices on which the design is based, and drawings and specifications certified by a registered professional engineer indicating at least one acceptable system of anchorage.

Size Requirements

MPS has in the past been generally directed toward conventional houses that are somewhat larger, with larger room sizes, than manufactured homes. The proposed revision of MPS states no minimum home size, but is less restrictive than the currently applicable MPS as to minimum room sizes. At least one habitable room must be of at least 150 square feet; other habitable rooms shall be at least 70 square feet; kitchens shall be at least 50 square feet. The ceiling heights of habitable rooms must average at least 7 feet 6 inches in at least 50 percent of their required areas, with no portion less than five feet. Ceiling heights of other rooms, including kitchens must be at least 7 feet, and of corridors at least 6 feet 10 inches.

Corresponding requirements in MHCSS are: one living area of at least 150 square feet; all bedrooms at least 50 square feet, with those designed for two or more persons, 70 square feet plus 50 square feet for each additional person. Habitable rooms and bathrooms must have a ceiling height of at least 7 feet in at least 50 percent of floor area and a minimum of five feet in the remaining area; ceiling height in corridors must be at least 6 feet 6 inches.

Transportation Requirements

MPS, being oriented solely toward site-built houses, contains no structural or other specifications relating to the stresses encountered in transportation. MHCSS, in contrast, covers homes that are factory-built and towed on their own running gear to ultimate home sites. Thus MHCSS, in addition to the standard structural design requirements, requires that structural, plumbing, mechanical and electrical systems be designed to fully withstand transportation forces during the intended life of the manufactured home. MHCSS also places stringent requirements on the frame, which is the rigid substructure that provides support to the structure both during transport and on site, and provides the platform for securing running gear, drawbar and coupling.

Contrasts Between the Standards

Conventional site-built housing is largely designed by builders and draftsmen rather than by professional engineers and architects. Designs are infrequently identically replicated. Transportation of the structure is not contemplated, so weight of the structure is not a matter of consideration. Expectably, HUD Minimum Property Standards are largely "cook-book", or prescriptive, in nature, calling for traditional materials and construction practices. Massive designs and use of excess material can readily be tolerated. Innovation in construction techniques is discouraged by requirements for extensive testing to prove the merit of any deviation from prescriptive requirements. Design errors are frequently discovered and corrected during the course of construction of site-built houses.

In contrast, Mobile Home Construction and Safety Standards are oriented toward large-scale factory production of identical basic designs. Transportation from factory to home site is an important part of the problem; weight is a serious consideration, and the use of light-weight materials is contemplated. Prescriptive construction techniques based on traditional on-site construction methods are often inapplicable. Thus MHCSS specifications are largely performance-oriented, rather than prescriptive. Manufactured home designs are generally accomplished by registered professional engineers or architects. Substantial scope for innovation is permitted. Building plans for each model must be submitted for inspection for conformance to the standard to the Secretary of Housing and Urban Development or his designate; and the manufacturer must certify that each building plan meets the standard then in force before the home is produced. In practice, manufacturers' building plans must include such details as electrical wiring, plumbing and gas-piping diagrams and structural design, heat loss and heat gain calculations. Current HUD implementing regulations require that plans be submitted to a Design Approval Primary Inspection Agency (DAPIA) for review and approval. Under regulations prescribed by the Secretary, each home must be inspected on the factory floor and found to conform to the approved design plan before a certification label can be affixed and before the unit can be sold or leased.

Objectives of the Standards

MPS and MHCSS differ little in their objectives. The stated objective of MPS is "present and continuing utility, durability, economy of maintenance, and a safe and healthful environment." The objective of MHCSS is "to insure durable, livable, and safe housing and...acceptable workmanship reflecting journeyman quality of work of the various trades."

Detailed Requirements

In this section, requirements of the MHCSS will be stated (paraphrased) and the corresponding requirements of the Proposed Revision of HUD Minimum Property Standards for One- and Two-Family Dwellings will be compared.

MHCSS covers the following areas:

- General
- Planning Considerations
- Fire Safety
- Body and Frame Construction Requirements
- Testing
- Thermal Protection
- Plumbing Systems
- Heating, Cooling and Fuel Burning Systems
- Electrical Systems
- Transportation

MPS covers the following:

- General Use
- General Acceptibility Criteria
- Site Design
- Building Design
- Materials
- Construction

General

The general requirements of MHCSS include the requirement for design approval, enforcement of standards, certification and labeling prior to sale or lease. MPS contains no similar requirement.

Also included in the general requirements of MHCSS is the requirement for a data plate. The plate must state manufacturer's name and address, name of the design approval agency, model designation, serial number and date of manufacture of the unit, statement of compliance with MHCSS, major factory installed equipment with manufacturers' names and model designations, and structural zone and wind zone for which the home is designed. The heating/cooling certificate and insulation zone maps required by the MHCSS may also be included on this plate.

MPS requires no similar data plate certifying the entire structure's capabilities to withstand snow, wind and other loads, or certifying the adequacy of the heating and cooling system. MPS does require that each gas or electrical appliance carry a manufacturer's label.

Planning Considerations

MHCSS requires that each habitable room be provided with exterior doors or windows having a total glazed area not less than eight percent of the gross floor area. MPS contains the same requirement, but permits omission of glazing if artificial light producing 6 foot candles 30 inches from the floor and mechanical ventilation are provided.

MHCSS requires an area equivalent to four percent of gross floor area to be available for unobstructed ventilation in habitable rooms. Glazed areas need not be openable where a mechanical ventilating system is provided that gives one air changes each 30 minutes, of which 20 percent is outside air. MPS requirements are the same except that there is no requirement for 20 percent outside air.

MHCSS permits kitchens to use artificial light provided mechanical ventilation is provided that gives one air change each 30 minutes. MPS requires for unglazed kitchens a 100 cfm exhaust fan and 6 foot candles illumination at 30 inches above the floor.

MHCSS requires bathrooms to have artificial light and external windows or doors with no less than 1½ square feet of openable glazed area except where a mechanical ventilating system, exhausting directly to the outside, provides one air change each twelve minutes. MPS requires three square feet of glazed area, 1½ square feet of which is openable, unless artificial light and a mechanical exhaust system capable of one air change each twelve minutes are provided. (Note that MPS does not require artificial light in bathrooms if there are the requisite windows; the fan may exhaust to either the outdoors or the attic.)

MHCSS requires habitable rooms and bathrooms to have ceiling heights of at least seven feet for a minimum of 50 percent of their floor areas. The remaining ceiling must have a minimum ceiling height of five feet. Minimum height under dropped beams, ducts, etc., must be 6 feet 4 inches. Minimum ceiling height in hallways and foyers is 6 feet 6 inches. MPS specifies a minimum average of 7 feet 6 inches in at least 50 percent of the area of habitable rooms, and no portion less than 5 feet. Minimum height under dropped beams and ducts is specified as six feet. MPS permits kitchen ceiling minimums of seven feet and hallway and corridor minimums of 6 feet 10 inches.

MHCSS requires two exterior doors, of minimum width 28 inches and height 74 inches (72 inches for sliding doors), remote from each other, and reachable without passage through other doors that are lockable. MPS requires only one door, of three feet minimum width and 6 feet 8 inches minimum height, side-hinged; and has no requirement that the door be reachable without passage through lockable doors.

MHCSS requires key-operated locks on exterior swinging doors. So does MPS, which additionally requires that latches or deadbolts have a half inch throw.

MHCSS requires an approved egress window, with sill height maximum of 36 inches, in each bedroom, unless the room has an exterior door. MPS has the same requirement, with maximum sill height of 44 inches.

MHCSS requires bathroom and toilet compartment doors to have privacy locks. MPS has no such requirement, but specifies that the rooms shall provide privacy to the occupant.

MHCSS specifies the characteristics of privacy locks on interior doors. MPS has no such requirement.

MHCSS requires at least one living area with not less than 150 square feet of gross floor area; bedrooms of not less than 50 square feet; bedrooms designed for two or more people, 70 square feet plus 50 square feet for each person over two. MPS requires at least one habitable room of at least 150 square feet, bedrooms of at least 70 square feet, and kitchen of at least 50 square feet.

MHCSS specifies that no clear horizontal dimension of living or bedroom shall be less than five feet. MPS specifies a minimum of seven feet for any habitable room, except kitchens.

MHCSS requires that toilet compartments be at least 30 inches wide, with 21 inches minimum clear space in front of each toilet. When a toilet is located adjacent to the short dimension of the tub, the minimum distance from tub to center line of toilet is 12 inches. MPS requires 30 inch minimum width and 21 inch minimum frontal clearance.

MHCSS specifies minimum hallway width of 28 inches. MPS specifies minimum width of 36 inches.

MHCSS requires safety glass (ANSI Z97.1-72) in all entrance or exit doors, sliding glass door units, unframed glass doors, unbacked mirrored wardrobe doors, shower and bathtub enclosures and surrounds to a height of six feet above the floor, storm doors or combination doors, and panels within 12 inches of either side of entrance and exit doors. MPS requires safety glass in the same locations except for mirrored wardrobe doors, but enumerates five exceptions. MPS safety glass must conform to CPSC specifications.

Fire Safety

MHCSS requires wall and ceiling interior finish to have a flame-spread rating of 200 or less (ASTM E84). MPS requirements are the same.

MHCSS requires furnace and water heater spaces to be enclosed by walls, ceiling and doors with an interior finish with a flame spread rating not exceeding 25. MPS has no such requirement.

MHCSS requires that exposed interior finishes adjacent to the cooking range have a flame spread rating not exceeding 50. MPS has no such requirement.

MHCSS requires that combustible kitchen cabinets, countertops, exposed bottoms and end panels have a flame spread rating not exceeding 200. MPS has no such requirement.

MHCSS requires that finish surfaces of plastic bathtubs, shower units and tub or shower doors have a flame spread rating not exceeding 200. MPS has no such requirement.

MHCSS requires 5/16 inch gypsum board or equivalent fire protection or walls, ceilings and doors encasing furnace and water heater enclosures and of the exposed wall adjacent to the cooking range. MPS has no such requirement.

MHCSS requires protection of bottom and side cabinets over or within six inches of the cooking range by quarter inch asbestos millboard covered by 26 gauge metal forming a range hood. MPS requires only that "unprotected" cabinets be at least 30 inches above the range and that "protected" cabinets be at least 24 inches above the range. "Protected" and "unprotected" are not defined.

MHCSS prohibits carpeting under a fuel-fired furnace or water heater. MPS has no similar requirement.

MHCSS requires one inch wood (minimum) firestopping so that the maximum vertical wall-cavity height is eight feet. MPS requires two inch wood (minimum) firestopping at each floor level and at the ceiling of the uppermost floor.

MHCSS prohibits the use of foam plastic insulating material within walls or ceilings or exposed to the interior except by specific approval of HUD based on full-scale room fire testing. Foam plastic having a flame spread rating of 75 or less may be used as a siding backer board or sheathing of 3/8 inch maximum thickness separated from the home interior by at least two inches of mineral insulation or equivalent fire-protective material. MPS permits foam plastics within or on the exterior of masonry walls, on the room side surface of walls or ceilings if protected by half inch gypsum wall board or equivalent, as a trim covering of not more that ten percent of wall or ceiling area, as a roof covering, or as a siding backer board of 3/8 inch maximum thickness when it is not of more than 2,000 BTU per square foot and separated from the interior by at least two inches of mineral insulation.

MHCSS requires at least one ionization or photoelectric smoke detector to protect each bedroom area. MPS requirements are equivalent.

MHCSS requires at least two exterior doors, which must be remote from each other and reachable without passage through other doors that are lockable. MPS requires only one exterior door, and has no "reachability" requirement.

MHCSS and MPS both require egress windows in bedrooms that do not have exterior doors.

Body and Frame Construction Requirements

MHCSS requires that the strength and rigidity of the component parts and/or the integrated structure be determined by engineering analysis or by suitable load tests to simulate the actual loads and conditions of application that occur. MPS requires that structural design be based on generally accepted engineering practices; it does not specifically require either engineering analysis or testing, nor, as indicated earlier, certification that the design meets standards.

MHCSS specifically permits new materials and methods of construction not provided for in MHCSS if they are subjected to tests witnessed by an independent licensed professional engineer or architect or a recognized testing organization and perform in conformity to the requirements of MHCSS. MPS provisions for responding to new methods and materials are inscrutable: "The basis for design, fabrication, construction and acceptance of advanced and innovative systems, subsystems, components, materials and processes shall be the performance criteria established by HUD in relation to the innovative nature of the system or element thereof. Likewise, the basis for acceptance of the inspection and compliance assurance by the sponsor shall be the criteria established by HUD for these purposes."

MHCSS specifies that the home must withstand the following loads:

Wind --

Standard loads (zone I) 15 psf horizontal, 9 psf uplift;
Hurricane zone (zone II) 25 psf horizontal, 15 psf uplift;
Eaves and cornices, 2.5 times the indicated design uplift wind pressure;
Resistance to overturning or sliding, 1.5 times the indicated design loads.

Snow (roof live loads) --

North zone, 40 psf;
Middle zone, 30 psf;
South zone, 20 psf;

Floor loads --

Uniform live load of 40 psf plus the dead load of the materials;
200-pound concentrated load on a one-inch diameter disc at the most critical location with a maximum deflection of 1/8 inch relative to floor framing.

Interior walls --

Horizontal loads, 5 psf

Allowable deflections when subject to total design live loads --

Floor -- L/240;
Roof and ceiling -- L/180;
Headers, beams and girders (vertical load) -- L/180
Walls and partitions -- L/180.

MPS specifies the following comparable loadings:

Wind --

Areas of wind speed up to 80 mph (roughly comparable to zone I) --
Exterior walls, 15 psf inward or outward, 30 psf outward at corners;
Chimneys, 30 psf;
Windows, 20 psf inward or outward;
Partitions, 10 psf
Roof, 20 psf inward or outward
Eaves, cornices, ridges, 40 psf;
Net uplift, 12 psf;
Overturning, racking or sliding, 20 psf.

Areas of wind speed greater than 80 mph (roughly comparable to hurricane resistive, zone II) -- ANSI A58.1 standard;

Snow (roof live loads) --

Roof slopes 3 in 12 or less, 20 psf
Roof slopes over 3 in 12, 15 psf

Floor loads --

Live load of 40 psf plus dead load

Interior walls --

Horizontal load, 10 psf

Allowable deflections when subject to total design live loads --

Floor -- not stated
Roof and ceiling -- not stated
Headers, beams and girders (vertical load) -- not stated
Walls -- L/240; if brittle, L/360.

Comparing, the MHCSS total wall wind loading, zone I, is the same as that of the MPS; in resistance to overturning or sliding, MHCSS loads are 12.5 percent greater than those specified by MPS; MHCSS net uplift loading is 25 percent less than that of MPS. MHCSS specified snow loadings vary, depending on zone, from equal to to 100 percent greater than those of the MPS. Floor distributed live loadings are identical, but MHCSS also specifies a concentrated floor load. Allowable deflections for walls are 33 percent greater for MHCSS than for MPS; other allowable deflections are not explicitly specified in the body of MPS, and reference standards are not explicitly invoked to cover other deflection requirements.

Testing -- Structural Load Tests

MHCSS requires that each structural assembly tested be capable of sustaining its dead load plus 1.75 times the required live load for a period of 12 hours without failure. Ultimate load tests are required on a minimum of three assemblies to generally evaluate the structural design. MPS is explicit only about tests for racking resistance of wall assemblies and sheathing, which must be tested in accordance with ASTM-E-72.

Testing -- Roof Trusses

MHCSS specifies in detail an acceptable test procedure for roofs and roof trusses and covers both downward and uplift loadings. The truss must sustain the dead load plus 1.75 times the live load for twelve hours. Maximum deflection permitted is L/180 under the design live load or after test live loads are removed. MPS does not invoke such a requirement, either explicitly or by reference.

Standards for Windows and Sliding Glass Doors

MHCSS requires that air leakage not exceed 0.5 CFM per square foot of window area when tested in accordance with ASTM-E-283 at an exterior pressure differential of 1.567 pounds per square foot. MPS permits leakage of 0.5 CFM per foot of crack length, 1.5 CFM per square foot for jalousie windows, and 1 CFM per square foot for sliding glass doors when tested at 1.567 psf.

MHCSS permits no water leakage at a test pressure of 2.86 psf when tested in accordance with ASTM-E-547 with a five minute pressure applied, one minute pressure removed, with water spray continuously applied at five gallons per square foot per hour. MPS calls for tests in accordance with ASTM-E-331 at the same pressure, under five gallons per square foot per hour for 15 minutes.

MHCSS requires that windows and sliding glass doors sustain exterior pressures of 15 psf (for zone I) and 25 psf (for zone II) and interior pressures of 7½ psf (zone I) and 12½ psf (zone II) without glass breakage, permanent deflection, or becoming inoperable. MPS specifies 20 psf for ten seconds (exterior) and 10 psf for ten seconds (interior) without breakage, damage, or permanent deflection. MPS requires that windows, excluding jalousies and sliding glass doors, withstand 10 psf with deflection not exceeding 1/175 of span.

Egress Windows

MHCSS requires egress windows to have a minimum clear dimension of 22 inches, a minimum clear opening of 5 square feet, and not more than two locks or latches. Operational forces must not exceed 20 pounds. Screens or storm windows may be attached with not more than four mechanisms whose operating forces must not exceed five pounds. Test procedures are detailed. MPS requires a minimum net clear vertical dimension of 24 inches, a minimum net clear horizontal dimension of 20 inches and a minimum clear opening of 5.7 square feet (5 square feet for grade-floor windows). MPS has no requirement for maximum operating forces or numbers or sizes of latches or attachment mechanisms, nor are test procedures explicitly set forth.

Exterior Swinging Doors

MHCSS specifies minimum requirements for wood, adhesives, preservatives, glass and weatherstripping for exterior doors. It requires the door to withstand 25 psf exterior and 12.5 psf interior pressure without damage, permanent deflection, or subsequent inoperability. Air infiltration must not exceed 1 cfm at an air pressure of 1.56 psf. MPS requires that entrance doors be of exterior type, not less than 1-3/4 inch thick, that exterior doors (steel or wood) be labeled to indicate compliance with requirements, that exterior door frames be decay treated, and that exterior doors be weatherstripped or properly fitted to prevent infiltration.

Thermal Protection

MHCSS requires a maximum one-perm vapor barrier in ceilings and walls, except that for unventilated wall cavities, an external covering and/or sheathing of not more than five perms combined permeability is permitted. The opaque envelope of the home must be designed to limit air infiltration; penetrations of the pressure envelope, except for those made by certain electrical equipment, must be treated or designed to limit air infiltration. MPS specifies that if a vapor retarder is used in the ceiling, the vapor transmission rate shall not exceed one perm. It also requires maximum one-perm vapor retarder in insulated walls. No requirement is stated regarding penetrations.

MHCSS specifies maximum heat loss for the total envelope area of the home, as follows:

Zone	Maximum transmission coefficient
I	.157 Btu/(hr.) (sq. ft.) (F)
II	.126
III	.104

MPS, instead, specifies maximum thermal transmission coefficients for individual components of the structure for each of seven heating degree-day zones. The maximum coefficients differ depending on whether the dwelling is heated by electrical resistance heating or fossil fuel. Alternatively, MPS permits maximum combined wall, window and door U values and combined ceiling and skylight U values as determined from graphs, as follows (E.R. equals electric resistance heat; FF equals fossil fuel heat):

Annual heating degree days	Thermal transmission coefficient (U)			
	Wall, window and door		Ceiling and skylight	
	E.R.	F.F.	E.R.	F.F.
3,000 roughly corresponding to Zone I)	.167	.228	.04	.05
6,000 (roughly corresponding to Zone II)	.125	.175	.026	.033
More than 7,000 (roughly corresponding to Zone III)	.112	.112	.026	.026

MPS specifies U values for foundation walls and R values for slab floor perimeters.

By using the MPS specified U-values for floors (no limit is specified for HDD of 3,500 or less; we assume .08; .07 for HDD of 6,000; and .05 for HDD of more than 7,000; after adjustment for framing heat transmission, these values become .095, .086 and .068, respectively), together with those in the table above, it is possible to arrive at total envelope thermal transmission coefficients (fossil fuel) for comparison with MHCSS. For example, for a two-story site-built house 20 feet by 45 feet in plan with 16 foot walls, and a one-story 24 foot by 60 foot house with 8-foot walls, the overall envelope U values compare with those of MHCSS as follows:

		Overall Envelope Maximum Thermal Transmission Coefficient (U)		
Annual Heating Degree Days	Zone	MPS (FF)		MHCSS
		20x45x16	24x60x8	
3,000	I	.156	.122	.157
6,000	II	.121	.096	.126
More than 7,000	III	.082	.068	.104

MHCSS requires affixing a certificate to the home indicating the zone for which the heat loss complies with requirements and the lowest outdoor temperature at which the heating system will maintain 70 degrees F inside. Heating system design must take account of both transmission and infiltration heat losses. A similar certificate is required for the comfort cooling system if the home manufacturer supplies the air conditioning system. MPS does not require certification.

Plumbing Systems

MHCSS contains explicit and detailed requirements governing the manufactured home plumbing system. MPS indicates dependence on prevailing local codes with certain additions, such as a requirement for two exterior hose bibbs.

Heating, Cooling and Fuel-Burning Systems

MHCSS contains a detailed and extensive lists of ANSI, UL and other standards with which heating, cooling and fuel-burning appliances used in manufactured homes must comply. MHCSS also requires installation of appliances in accordance with their listings and manufacturer's instructions. MPS invokes a number of installation requirements by reference and indicates that electrical equipment must comply with "applicable recognized standards."

MHCSS requires that all fuel burning appliances (with certain exceptions) shall be installed to provide complete separation of the combustion air system from the interior atmosphere of the manufactured home. MPS has a similar requirement.

MHCSS contains specifications for the minimum efficiency of hot water heaters and air conditioning systems. MPS contains no similar requirements.

Electrical Systems

MHCSS requires electrical equipment and conductors to comply with the National Electrical Code (NFPA 70) and numerous detailed augmenting requirements. MPS requires installations to comply with NFPA 70.

Transportation

MHCSS requires that the manufactured home be designed to fully withstand the adverse of transportation shock and vibration without degradation of the integrated structure or its components. MPS has no similar requirement, but specifies that buildings and components located in zones I, II, or III of the seismic risk map be designed to withstand lateral forces as specified in the UBC (1973).

Summary

A comparison of the Minimum Property Standards (MPS) and Mobile Home Construction and Safety Standards (MHCSS) leads to the following observations:

MPS is oriented toward traditional on-site construction techniques. The conventional dwellings covered by MPS are frequently built in small quantities of any given plan, and are designed by builders and draftsmen without professional support from engineers and architects. As a consequence, MPS is largely a prescriptive, rather than a performance standard. In contrast, MHCSS, which covers structures that are mainly designed by engineers and architects and factory produced in quantity, is largely a performance specification.

In addition to its structural requirements, MPS covers site planning and foundations, while MHCSS covers only structures. MPS also covers acoustic control, a factor that is primarily associated with site planning and with dwelling units separated by a party wall; the topic is not treated by MHCSS.

The site-built structures toward which MPS is directed can tolerate massive building techniques and overdesign because there is no requirement that they be transported from the construction site to the final location. Thus prescriptive specifications geared to old-fashioned methods and that discourage innovation are acceptable. In contrast, MHCSS is oriented toward structures that are sufficiently small and light in weight, at the same time sturdy enough to permit and to withstand transportation on their own running gear to the ultimate site. To meet these difficult requirements, MHCSS has generally avoided prescriptive requirements that demand the use of excess or unnecessarily massive material, and innovation in construction methods is contemplated.

The site-built houses toward which MPS is oriented are generally larger and almost always much more costly per square foot of living area than the manufactured homes covered by MHCSS. Thus the inefficiencies and diseconomies inherent in MPS prescriptive specifications and on-site construction are tolerable to the more affluent buyers of site-built houses. In contrast, the innovative construction techniques the somewhat smaller minimum dimensions permitted by

MHCSS, and the design for economical and high rate factory production make manufactured homes affordable by families having less than median income.

Taking MHCSS requirements one by one and examining the comparable requirements of MPS in detail yields few substantive differences in the performance demanded of the structures. MHCSS requires plan approval and inspection during construction. MHCSS requires a data plate certifying that the structure meets MHCSS requirements and snow, wind loading and heating specifications for the zones for which it is intended; MPS does not. MHCSS minimum room, hall, door and ceiling height dimensions are slightly smaller than those of MPS. Glazing, lighting and ventilating requirements differ little. Fire safety requirements of MHCSS are more explicit and more rigorous than those of MPS. MHCSS requires engineering analysis or load tests to assure the adequacy of structural elements; MPS relies on prescriptive specifications and local codes.

Wind loads and snow loads are roughly equivalent between MHCSS and MPS, with MHCSS more stringent on snow loads and MPS slightly more restrictive on wind loads. Requirements for windows and sliding glass door resistance to wind forces are also roughly equivalent. MHCSS permits less air infiltration than MPS. MHCSS permits 12 percent less opening area for egress windows than MPS requires, but requires a lower (and hence more easily surmountable) sill. Thermal protection requirements (fossil fuel) of MPS, when translated to overall envelope thermal transmission coefficients for a typical one-story structure, are more rigorous than those of MHCSS for all areas, and for a typical two-story structure are more rigorous for Alaska.

Plumbing system requirements were not amenable to comparison. MHCSS appeared to be substantially more explicit and stringent than MPS with regard to heating, cooling and fuel burning systems, and more specific with regard to electrical installations. Integrity of structures when exposed to shock and vibration is specified by MHCSS under transportation requirements and by MPS under seismic shock requirements.

In summary, we observe that the specific structural performance requirements of MHCSS and MPS do not differ significantly: neither should be described as "superior" to the other. It is evident that the detailed differences between the two standards are the direct result of the differences in their orientation: MHCSS toward homes that are engineer-architect designed for efficient mass-production in factories and subsequent transportation to their ultimate sites; and MPS toward builder-designed houses constructed on site by traditional methods.

Because of this difference in orientation, we believe that it would be a mistake to apply MPS structural requirements to manufactured housing. Rather, if new manufactured housing is to be brought into eligibility for Title II financing, the basic structural requirements should be those of MHCSS, and specific requirements should be generated to cover site planning and foundations for manufactured homes.

COUNCIL OF STATE HOUSING AGENCIES

March 30, 1983

The Honorable Mack Mattingly
Chairman Senate Rural Housing Subcommittee
SD 522 Dirksen
Washington, D.C. 20510

Dear Senator Mattingly:

Congratulations on your appointment as Chairman of the Senate Rural Housing Subcommittee. If the Council of State Housing Agencies can be of any assistance to you or your staff in your important work with the Subcommittee, please feel free to call on us.

The remainder of this letter will outline some of the key rural housing concerns of state housing agencies.

Rural Housing Needs

The Annual Housing Survey demonstrates the major problems in housing quality, affordability and availability in rural areas. About 10% or 20 million units of rural housing are substandard in some way. For rural area blacks, the prevalence of substandard housing is over 20%. The median income in rural areas is about 85% of the national median. A comparison of rural rental costs shows that the availability of affordable rental units in rural areas is significantly less than in non-rural areas where the plight of low and moderate income renters has received much more publicity and federal assistance. Demographic trends indicate a major migration of the urban and suburban populations back to rural areas. This population shift will exacerbate housing availability problems that have reached crisis proportions in rural areas across the country.

Role of the State Housing Finance Agencies

Today, there are state HFAs in 48 states, Puerto Rico, the Virgin Islands and the District of Columbia. By next week, legislation to create a Washington State HFA will likely be signed into law. By the end of this month, state housing finance agencies will have provided over one million loans and grants for rental and ownership housing for low and moderate income persons. Much of that assistance has gone to rural areas.

State HFAs from Hawaii to Maine have tailored their programs to address the rural housing problems in their states. For example, the Maine State Housing Authority notes that of its assisted rental units and ownership units, over 70% are located in rural areas. The Maine Agency also administers Section 8 existing and mod rehab units in rural areas.

The New Hampshire HFA reports that over half of the single family mortgages that it has financed have been for housing in rural areas. Approximately 80% of New Hampshire HFA multifamily projects are located in rural areas.

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The Pennsylvania HFA allocates a significant portion of its Section 8 units to rural areas. The Pennsylvania agency also provides construction financing for FmHA 515 projects and Turnkey public housing projects in the state.

The West Virginia Housing Development Fund has tailored its single and multifamily programs to meet rural housing needs. The agency's subdivision loan program overcomes the many problems of site development that are experienced in rural areas. In tandem with CDBG funds, the HFA is providing low interest rate rehabilitation and energy conservation loans throughout the rural areas in the state. The agency's single family ownership loan program, by relying on local lenders to originate the loans, has encouraged rural lending while helping thousands of West Virginians to own homes. The West Virginia Housing Development Fund's small development multifamily program, involving Section 8 assisted projects with eight units or less, has incorporated a number of innovative features to provide low cost rental housing to rural areas. The agency also is considering the development of single family rental program for rural areas.

In your state, Senator Mattingly, The Georgia Residental Finance Authority has provided nearly 6,000 homeownership loans. The vast majority of these loans have gone to households with incomes below $20,000 per year. About half of GRFA homeownership loans finance purchases in rural areas. The Georgia RFA also administers the Section 8 existing program to non-metropolitan areas of the state. The GRFA Section 8 existing program serves well over 5,000 low income households in the state, making it one of the largest state-administered programs of its kind. As well, GRFA administers the housing component of the Appalachian Regional Commission programs in Georgia. Using ARC funds, the Georgia RFA provides site development grants to promote the construction of low cost rental housing in rural areas.

Virtually all state HFAs have played a role in the delivery of housing services to rural areas. Typically, these HFA programs are tailored to address key rural housing needs in their respective states and to capitalize on existing public and private institutions to raise capital and deliver services. A 1977 HUD/USDA demonstration program involving HFAs in California, Colorado, Illinois and West Virginia ("The Role of State Housing Finance Agencies in the Production of Rural Housing: The HUD/USDA Demonstration State Role," HUD Contract No. H-2690, 1977) demonstrated that state agencies are effective vehicles for planning, developing and implementing a delivery system to meet housing and community development needs of inadequately served rural areas and households.

Suggestions for Improving the Rural Housing Delivery System

First, let us note that it is the position of the Council of State Housing Agencies that funding for existing FmHA programs, at a minimum, remain at 1983 levels.

What follows are a number of recommendations to you, Senator Mattingly, regarding issues and options in rural housing during the near future. None of the proposals in itself constitutes a major rural housing thrust, but taken together, we believe that these proposals improve the effectiveness of the existing rural housing delivery system while at the same time improving its efficiency.

Rehabilitation

The extent of substandard housing in rural areas is well documented. The inability of present FmHA programs to promote rehabilitation is an unfortunate weakness in an otherwise strong rural housing delivery system. It is the position of the Council of State

Housing Agencies that a pressing need exists for a program to promote the rehabilitation of rental and owner occupied housing in rural areas.

This program should provide for a strong state role to: (a) take advantage of the leverage provided by tax exempt financing; (b) to benefit from the administrative efficiency of state administration; and (c) allow for the combination of federal funds with other state contributions and services.

The program should be targeted to lower income households but should not be so restrictive as to prevent a workable program or prevent rehabilitation of mixed income housing developments. Minimum property standards for properties receiving rehabilitation program funds should not be as strict as those for newly constructed properties.

The program should allow for flexibility in the use of grant funds. Eligible uses should range from outright grants to second loans to the write down of loans from other capital sources. All types of housing ranging from ownership to large multifamily rental projects should be eligible. However, to ensure that the maximum benefits accrue to the targeted groups, allowances for administrative costs should be minimized.

Section 8 Existing Program Administration

Many state agencies like your own, Senator Mattingly, administer the Section 8 Existing program in rural areas of the state. Hank Huckaby, executive director of the Georgia RFA, reports that shortages of decent rental housing have made administration of the Section 8 Existing program problemmatic. Additionally, Mr. Huckaby reports that the vacancy rates are high in some Georgia FmHA 515 rural rental projects. Ironically, there is a shortage of Section 8 eligible units while perfectly acceptable 515 projects are going begging to the point that defaults are probable.

The problem is that the HUD-estimated fair market rents (FMRs) for Section 8 existing certificates are too low in many rural areas to allow the certificates to be used in FmHA 515 projects. In order to prevent defaults on FmHA 515 projects and provide suitable housing for low income rural households, we suggest that the Department of Housing and Urban Development be directed to adjust rural FMRs where there is a demonstrated shortage of suitable rental units or where federally-guaranteed or insured rental housing is threatened with default because of high vacancy rates.

State Role In Packaging Section 515 Rural Rental Housing

State housing finance agencies are the housing production program experts in their respective states. Because of this fact, HUD has relied heavily on state HFAs to implement the Section 8 and Section 236 rental housing programs. In many states, the housing finance agency could make a significant contribution to the delivery of FmHA rental housing programs. Where there are demonstrable gaps in the FmHA delivery system in particular states, it may be that the state HFA can fill the gap. Examples of these gaps in service delivery may include the project design characteristics, project location or the nature of the intended users.

CSHA recommends that Congress direct the Farmers Home Administration to set aside fifteen percent of all Section 515 rural rental units in every state for state HFA packaging and targeting for specific purposes. State HFAs could apply for part or all of the setaside, specifying the purpose(s) for the units. Units not allocated to SHFAs would be administered under the normal FmHA 515 program. State HFAs could be eligible to provide the construction financing for the projects developed from the setaside. However, it is not envisioned that the state HFA would provide the permanent financing nor would the HFA own the project. The state HFA could provide technical assistance to the developer and could specify development location and design charcteristics as described in the state HFAs application for FmHA setaside units. To cover the costs associated with their efforts state HFAs would be eligible to charge consulting fees. These fees would be mortgageable.

With a program of this kind, the effectiveness of FmHA 515 developments could be improved and the capacity of private developers to reach isolated rural areas could be enhanced. Where FmHA state office staff are overburdened the enhanced state HFA role is especially appropriate.

The above recommendations are responses to specific gaps in the rural housing delivery system. It is likely that during the upcoming months additional issues will arise. CSHA, for example is examining the impediments that presently prevent a widespread involvement of state HFAs in providing low cost construction loans for FmHA 515 projects. Among the pitfalls that SHFA personnel have identified as being associated with construction financing of FmHA 515 projects are: lack of an appropriate mortgage insurance program, lack of clarity about the FmHA loan takeout commitment and the inability of some FmHA 515 projects to meet the low income requirements associated with tax except financing. We will keep you informed of our progress on this issue.

Another area being examined by CSHA is the relationship between rural housing programs and rural infrastructure grant programs. Frequently, the inability of FmHA to deliver housing to very small towns and rural areas is associated with limited water supply and sewer capacity. Coordination of infrastructure funding with housing development proposals could remedy this problem.

Thank you very much for your consideration. Again, if the Council of State Housing Agencies can be of assistance to you, please fell free to call on us.

Sincerely,

Tom White

Thomas W. White
Executive Director

Steve Mayfield

L. Steven Mayfield
Executive Director, South Carolina State
Housing Authority
Chairman, CSHA Rural Housing
Committee

NATIONAL MANUFACTURED HOUSING FEDERATION, INC.
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ARLINGTON, VA 22202

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Treasurer
H. E. BLOMGREN
President

March 22, 1983

The Honorable John Tower
Chairman
Senate Subcommittee on Housing and
Urban Affairs
5226 Dirksen Senate Office Bldg.
Washington, D.C. 20510

Dear Mr. Chairman:

The National Manufactured Housing Federation would appreciate your favorable consideration of this request to have the following statement incorporated into the official record of the hearing scheduled by the Senate Subcommittee on Housing and Urban Affairs for March 23 concerning Rural Housing.

FARMERS HOME ADMINISTRATION PROGRAM

In October 1979, the Department of Agriculture under Title 7 created a Rural Housing Program to be administered through the Farmers Home Administration. The Department also issued regulations for non-subsidized single family loans to be made to above moderate income families guaranteed by the Farmers Home Administration. The basic objective of this guaranteed loan program has been to assist qualifying families in rural areas to obtain loans for the acquisition, construction, or improvement of modest, decent, safe, and sanitary dwellings. These dwellings must be owner-occupied and where loans would not have been made without an FmHA guarantee. The program guarantees lenders the repayment of any loss up to 90% of principal and interest.

Since 1979, the Federation on behalf of its national membership has consistently urged the Farmers Home Administration to implement procedures (pursuant to its Congressional authority under Section 518 of the Housing and Community Development Act of 1974) providing for inclusion of manufactured homes constructed to the National Manufactured Housing Construction and Safety Standards within its rural housing programs. The Farmers Home Administration has not only ignored this Congressional mandate, but has retained eligibility criteria which effectively excludes HUD-code manufactured homes. In this regard, 7 CFR Subpart A, Section 1924.5

(d) (i) continues to require that homes qualifying for Section 502 loans must meet the requirements of HUD Minimum Property Standards (MPS). Since manufactured homes are required by the Manufactured Housing Construction and Safety Standards Act of 1974 to be constructed in accordance with standards, (not MPS) published and enforced by the Department of Housing and Urban Development for this purpose, the Farmers Home Administration has thus effectively disqualified such homes from its rural housing program. It is an ironic circumstance, that this policy has the effect of disqualifying precisely those homes which are best designed and produced to meet the housing needs of low income rural residents. Moreover, Farmers Home Administration's archaic restrictions are now incompatible with the Department of Housing and Urban Development which recently published for public comment a proposed regulation that would qualify buyers of HUD-code manufactured homes for the same favorable financing terms under the FHA Title II, Section 203 (b) insured loan program as are available to buyers of qualifying site-assembled homes.

As of this date, then, the FmHA has not only ingnored repeated written recommendations from the Federation, failed to implement a Congressional mandate of 1974, resisted the urgings of Congressional inquiries as recent as those conducted in 1982 by Senator Lugar while Chairman of this Committee, but has found itself badly out of step with the more enlightened programs of HUD, Fannie Mae and Freddie Mac. Indeed, even the private mortgage market has long since moved away from FmHA's empassive and unchanging and unfavorable attitude toward manufactured housing. It appears to be a policy position so rigid as to be impervious even to the recent Report of the President's Commission On Housing.

THE RURAL HOUSING PROBLEM

In terms of housing adequacy, rural housing has been termed a disaster area. According to the 1982 "Report of the President's Commission On Housing, whereas the incidence of inadequate housing is 6.8% in urban areas, the incidence is 9.4% in rural areas, and 12.8% in rural southern areas. Clearly, the need for quality affordable housing is far greater among the nation's rural families than for urban dwellers.

The Federation is aware of the President's Commission On Housing Recommendation to phase out FmHA direct lending programs, relying, instead, upon private lending institutions, supplemented perhaps by rural housing block grants authorized by the Secretary of Agriculture to be administered by the states as proposed by Senator Garn in S.761. In view of past traditional interpretations that manufactured housing is not included in "housing legislation" unless expressly mentioned, the Federation recommends to the Committee that the language of S.761 be modified, accordingly. With the eligibility of manufactured homes assured in this manner, the Federation would hope that at long last the arbitrary constraints withholding availability of manufactured housing from the rural poor would be broken.

AFFORDABILITY AND QUALITY

Bearing in mind the basic objectives of the Section 502 program as stated in 7 CFR Section 1822.2 in making Section 502 loans "is to assist farm owners and other persons who live in rural areas to obtain decent, safe and sanitary dwellings. . ." and "who do not have sufficient resources to provide such dwellings and related facilities on their own account. . .", the broadening of the Section 502 Program to include dwellings manufactured to the federal standard is eminently practical. Arthur D. Bernhardt of the Massachusetts institute of Technology, in his seven-year study of the manufactured/mobile home industry under contract with the Department of Housing and Urban Development, identifies this segment of the shelter market as "the most efficient building industry in the world." He states "the mobile home industry has become the world's most efficient building industry because it has thoroughly understood and strategically manipulated virtually all of the important functions that operate in or affect the larger building industry. . . The fruit of the industry's labors is a comprehensive nation-wide system, a total production--distribution--land development network, efficiently synchronized with its supporting and regulatory environments."

There can be no doubt concerning the cost and quality advantages of homes constructed to HUD standards, as noted in the testimony of Mr. Will Ehrle on behalf of the Federation before this Committee on March 8 on the subject of housing affordability.

The Federation shares the Farmers Home Administration's concern for rural housing quality, as well as affordability, and points out that the manufactured home offers unique advantages over the site-constructed home. In addition to being subject to a single, national construction and safety standard, all mobile home designs and related specifications, to include quality control measures, must be reviewed and approved by a HUD-certified inspection agency (i.e. registered professional engineer) before construction begins. Moreover, during the manufacturing process, in-plant, government-certified inspectors are required to examine every home during at least one stage of its construction, with the inspectors themselves subject to monitoring by representatives of the National

Conference of States on Building Codes and Standards. There is no comparable, comprehensive design approval and in-plant inspection process, within the constraints of a single federal nation-wide standard, for site-built homes. Moreover, the federal law mandates that any subsequent problems, experienced by the homebuyer, which represent failures to conform to federal standards and that involve the health or safety of the occupants must be repaired by the manufacturer at its own expense.

ENERGY CONSERVATION CONSIDERATIONS

The Federation also appreciates fully the Farmers Home Administration's concern for the thermal performance of rural housing and is aware of the FmHA Instruction 1924-A, Exhibit D, which prescribes the construction standards to be used in all housing loan and grant programs. Moreover, we fully agree with the growing need for energy conservation with respect to residential housing construction. We do point out, however, that since the FmHA Standards are of the "specifications" type whereas the HUD Standards are performance oriented, we would hope that the FmHA accept the HUD thermal performance standards on a parity basis. It would be noted that the imposition on the industry of differing thermal standards for rural housing purposes would necessarily result in inefficiencies and higher costs in a mass production system wherein the ultimate site location of a home is not known at the time of its manufacture.

RECOMMENDATIONS

The Federation recommends an expansion of the Farmers Home Section 502 Program so as to accommodate the financing of qualifying manufactured homes. We believe it would be feasible and practical to broaden the wording of Section 502 so as to make it clear that homes manufactured to the Mobile Home Construction and Safety Standards, 24 CFR Part 3280, as administered by the Department of Housing and Urban Development, would qualify under 7 CFR Section 1822.7 as being "structurally sound, functionally adequate." Accordingly, we urge complete parity (with qualifying site-constructed homes) for any factory-constructed home which has been built to federal standards and bears the HUD seal, which meets the square footage requirements, which has been placed on a permanent foundation on land owned by the homeowner and which is provided with the utility connections and services applicable to site-constructed homes.

If the Congress agreed to mandate such actions, it would be necessary only to broaden the Farmers Home Administration's current policies and procedures applicable to site-constructed homes concerning loan limitations, appraisals, title clearance, loan application and approval, administration, etc. so as to accommodate differences occasioned by the characteristics of contractual formates and nomenclature unique to the sale and marketing of manufactured dwellings. With the adoption of such relatively modest changes, we would expect that the manufactured home as we have qualified them above, would be eligible for all existing programs, to include improvement loans, repair loans and grants within the two categories of both guaranteed and insured loans. We feel that the adoption of this approach--that of merely extending on-going programs--would minimize the staffing and training impact upon FmHA and consequently permit the expediting of the proposed rule.

In the light of some eight years of inflexible resistence to HUD-code manufactured homes, the Federation respectfully invites this Committee to explore other alternatives which would lead in an expeditious way to improved housing availability for the rural poor such as the rural housing block grant concept. It could well be true that state authorities, closer to the grim realities of the rural housing crisis, would move rapidly and responsively through block grant procedures, to explore all types of quality and affordable housing, to include the most affordable of all--those constructed to the federal standard. S.761, introduced by Senator Garn, appears to be a practical and imaginative approach to solving the rural housing problem. The Federation would, however, recommend to this Committee that the language in S.761 be modified to reflect clearly Congressional intent that HUD-code manufactured homes qualify for rural housing block grants along with other forms of both manufactured and site assembled residences.

Respectfully,

H. E. Blomgren

H. E. BLOMGREN
President

HEB/amp

NRECA NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036/202-857-9500

March 18, 1983

Honorable Mack Mattingly
Chairman, Subcommittee on Rural Housing
and Development
Senate Banking, Housing and
Urban Affairs Committee
522 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

On behalf of the National Rural Electric Cooperative Association, which represents approximately 1,000 rural electric systems throughout the nation, I am attaching a resolution which the NRECA membership adopted unanimously at their Annual Meeting in Las Vegas, Nevada on February 2, 1983.

As you will note, our membership opposes turning the Farmers Home Administration's rural housing program into a block grant program. Should the Administration succeed in having its proposal approved, our membership feels that this would result in a phasing out of this important program within five (5) years. And, as the resolution notes, "...thousands of residents living in areas served by rural electric systems would, in effect, be denied the opportunity to obtain decent housing."

We sincerely hope that your committee will reject the Administration's efforts to transfer FmHA housing to the states. In addition, we hope that Congress will provide funding for FmHA rural housing in fiscal 1984 at approximately this year's level.

We would appreciate it if you would insert the attached resolution in the record of the hearings which we understand you will be holding on rural housing.

Sincerely,

William E. Murray

William E. Murray
Legislative Specialist
for Rural Development

WEM:mb

Attachment

FmHA RURAL HOUSING

Adopted at February 2, 1983 NRECA Annual Meeting

In its budget recommendations to the Office of Management and Budget for fiscal 1984 through 1988, Farmers Home Administration would transfer a major portion of its rural housing assistance to the states in the form of block grants. Moreover, FmHA recommends drastic reductions in its overall funding for housing. Should FmHA's budget requests be approved, its housing program would be virtually phased out over the next five years. As a result, thousands of residents living in areas served by rural electric systems would, in effect, be denied the opportunity to obtain decent housing.

Since the early 1960s, rural electrics have vigorously supported FmHA's housing and through their national association have assisted importantly in broadening the agency's legislative authorities to increase the benefits of the program. During the past year, NRECA joined with other farm and rural-oriented organizations to successfully oppose legislation designed to implement the block grant approach.

We urge Congress to reject the Administration's efforts to turn the FmHA housing into a block grant program. Also, we urge Congress to provide adequate funding for rural housing next year at approximately this year's level.

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

July 11, 1983

The Honorable Mack Mattingly
Chairman
Subcommittee on Rural Housing and
Development
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your letter following up on my appearance before your Committee to discuss the budgetary treatment of rural housing programs. In your letter, you raised four questions that I touched upon in my statement, but for which you desired additional information, which is provided in the attachment. It is my understanding that most of this information--as well as answers to questions contained in your letter of February 18 to Alice Rivlin--were provided to Committee staff during preparation for the March 23 hearings and the preceding mark-up of S. 1338, the Housing and Community Development Act of 1983.

If there is additional information which the CBO can provide, please let me know.

With best wishes,

Sincerely,

Nancy M Gordon

Nancy M. Gordon
Assistant Director for
Human Resources and Community
Development Division

Attachment

Responses to Questions Submitted to Nancy M. Gordon
following March 23, 1983 hearing of the
Subcommittee on Rural Housing and Development
Committee on Banking, Housing and Urban Affairs,
United States Senate

Q. Could you elaborate on why, since the Farmers Home Administration (FmHA) pays the market rate on its sales of mortgage backed securities to the Federal Financing Bank, the current budget treatment of these transactions may be misleading?

A. Under current budget practices, the FmHA may finance the loans it makes by selling mortgage-backed securities called certificates of beneficial ownership (CBOs) to the Federal Financing Bank (FFB)--an office within the Treasury Department that borrows funds on behalf of federal agencies. The budget treatment of the transactions between the FmHA and the FFB is misleading, first, because the financing activities of the FFB appear outside of the unified budget totals and, second, because the transactions should more appropriately be treated as FmHA borrowing from the Treasury, rather than as the sale of assets to the FFB.

Consider first the off-budget status of the FFB. When the FmHA sells a CBO to the FFB under present budget practices, the FmHA is able to count the income received as a negative outlay--effectively offsetting the positive outlay associated with disbursing the loans securing the CBO. The result is that no net positive outlay appears in the FmHA's budget accounts, although the agency has, in fact, expended funds in disbursing its loans. Meanwhile, on the FFB's side of the ledger, because that office's transactions do not appear in federal unified budget totals, the expenditure required to purchase the CBO does not appear as an on-budget outlay. Thus, the outlay effect of the loan disbursements is effectively transferred off budget, distorting the picture of total federal financial activity that the unified budget totals are supposed to represent.

Present budget practices are also misleading because the characterization of transactions between the FmHA and the FFB as borrowing is inappropriate. Specifically, although these transactions are treated as asset sales, they more closely resemble borrowing by the FmHA from the Treasury. Even after a CBO has been sold, the FmHA continues to maintain possession of the mortgages securing the CBO, and continues to service those loans. Furthermore, the FmHA guarantees the timely payment of interest on the CBOs and the repayment of principal at maturity. Thus, rather than purchasing a pool of mortgages, the FFB is actually lending to the FmHA based on the agency's guarantee.

Either or both of two changes in budget practices could address the misleading consequences of the current ones. First, the activities of the FFB could be included in federal unified budget totals. If this change were adopted, although outlays associated with disbursing rural housing loans would still be transferred out of the FmHA's budget accounts, they would nonetheless appear within the unified budget as expenditures by the FFB to purchase CBOs. Alternatively, the sale of CBOs could be classified as borrowing to finance FmHA lending rather than as the sale of FmHA assets. If this change were adopted, the issuance of a security by the FmHA would not generate any income, or negative outlays, for the agency. Thus, the outlay impact of disbursing rural housing loans would be both on budget and within the budget accounts of the FmHA, which originated the mortgages.

Q. Is there a need for a government recipient such as the Federal Financing Bank for these mortgage backed securities? What would the result be if these were sold in the private market?

A. Theoretically, there is no reason that the mortgage backed securities issued by the FmHA have to be sold to the FFB. The FmHA could, as it did in the past, sell its securities in the private market. Such an approach might, however, result in higher interest costs to the FmHA, because debt instruments issued directly by the Farmers Home Administration might be viewed as less desirable than bonds and notes issued directly by the Department of the Treasury.

The experience of the FFB itself illustrates this point. It was established in 1974 to borrow on behalf of individual federal agencies, in part because it was felt that the government would receive more favorable interest rates by coordinating agency borrowing and by handling it through a central office of the Department of the Treasury. Although FFB-issued debt may have received more favorable treatment than agency-specific debt issues, even the FFB was forced to pay a somewhat higher rate of interest on its borrowings than was paid on comparable securities issued directly by the Treasury. As a result, since its first year of operations, all FFB borrowing has been handled by the Treasury on the Bank's behalf. If the FmHA began to finance its lending through agency securities sold directly in the private market, it would thus represent a return to a system previously found to be more costly than present practice.

Q. If the FmHA receives an annual appropriation from Congress and has the authority to borrow funds from the FFB through transactions with CBOs, why does the FmHA need to have authority to borrow from the Treasury? How does HUD, which does not have this authority, meet its short-term borrowing needs?

A. Authority to borrow from the Treasury is an important supplement to other FmHA financing sources. Under current budget practices, the FmHA generally sells CBOs to the FFB shortly after the agency disburses any new set of loans. In effect, those sales generate additional funds to support subsequent lending. However, when interest rates on longer-term CBOs would be higher than rates available on short-term borrowings from the Treasury, and when long-term rates are expected to decline, the FmHA may find it to its advantage to finance temporarily new lending through short-term borrowing from the Treasury. Without the authority to borrow from the Treasury, the FmHA would not have the flexibility to postpone the issuance of CBOs, unless it also limited the number of new loans it made.

The FmHA also uses Treasury borrowing as a temporary means of covering annual interest-subsidy losses. The Congress currently provides annual appropriations to cover the difference between the FmHA's interest income from its borrowers and its interest expense associated with all outstanding CBOs; however, each year's appropriation covers the interest-subsidy loss for the most recent year in which that loss is known--generally two years prior--leaving a gap in time during which Treasury borrowing can cover the FmHA's needs. Without authority to borrow from the Treasury, the FmHA would require appropriations in advance to cover each year's expected interest-subsidy loss.

In contrast to the FmHA, the Department of Housing and Urban Development (HUD) does not have borrowing authority with the Treasury to cover the costs of most of its programs. Thus, most HUD-administered housing programs are funded through budget authority--appropriated at the time that assistance commitments are made--which is expected to be sufficient to cover the subsidy costs over the term of the commitments. The Section 202 loan program to finance rental housing projects for elderly and handicapped persons is one exception to this rule. Under this program--which is similar in some respects to the FmHA Section 515 rental housing loan program--HUD does, in fact, borrow from the Treasury to finance its loans to project developers.

Q. The National Rural Housing Coalition has proposed that the term of a Section 502 loan be extended from the present 33 years to 50 years while retaining the subsidy term at 33 years. This would mean that borrowers would pay a balloon payment at the end of the 33rd year. Would you please comment on the budgetary impact of this proposal.

A. The precise budgetary impact of this proposal would depend on the details of its design. Some generalizations can be offered, however, regarding the effects of such a change.

First, extending the term over which loans are amortized would decrease the size of the monthly mortgage payments at any given interest rate. This reduction, in turn, would permit the Farmers Home Administration to provide assistance to families with somewhat lower incomes than now qualify. For example, with mortgages amortized over 33 years--as is now the case--an annual adjusted income of about $11,300 is required for a family to afford to purchase a $40,000 home at an effective mortgage interest rate of 1 percent, because 20 percent of a family's income must be devoted to mortgage principal and interest payments plus property taxes and insurance. If the mortgage amortization schedule were extended to 50 years, a family with an income of $9,300 could afford to purchase a home of the same price.

Second, extending the amortization schedule would decrease the size of the principal repayments in the early years for any given household, thus increasing the share of the borrower's payments to be applied to interest. The higher effective interest rate paid by borrowers with incomes high enough to qualify under the current program would reduce the FmHA's annual interest-subsidy expense while the loans were outstanding, but repaying principal more slowly would leave these borrowers with larger outstanding obligations when they sold their homes or at 33 years when the remaining balances became due.

For example, if a family with an income of $15,000 purchased a $40,000 home, $3,000 would be needed annually for mortgage payments plus property taxes and insurance, of which $2,160 or $180 per month, would be for mortgage principal and interest. Under the 33-year amortization schedule, the mortgage has an effective interest rate of about 3.9 percent, with $49 of the first month's mortgage payment devoted to principal repayment and the remaining $131 devoted to interest. If the loan were amortized on a 50-year term instead, the effective interest rate would be approximately 5.0 percent, and only about $15 of the first month's mortgage payment would be devoted to principal repayment, while the remaining $165 would be devoted to interest. At the end of 33 years, the borrower with a term of 33 years would have paid $31,300 in interest and would owe no principal. The borrower with a term of 50 years would have paid $56,100 in interest and would have a remaining principal balance of $24,800.